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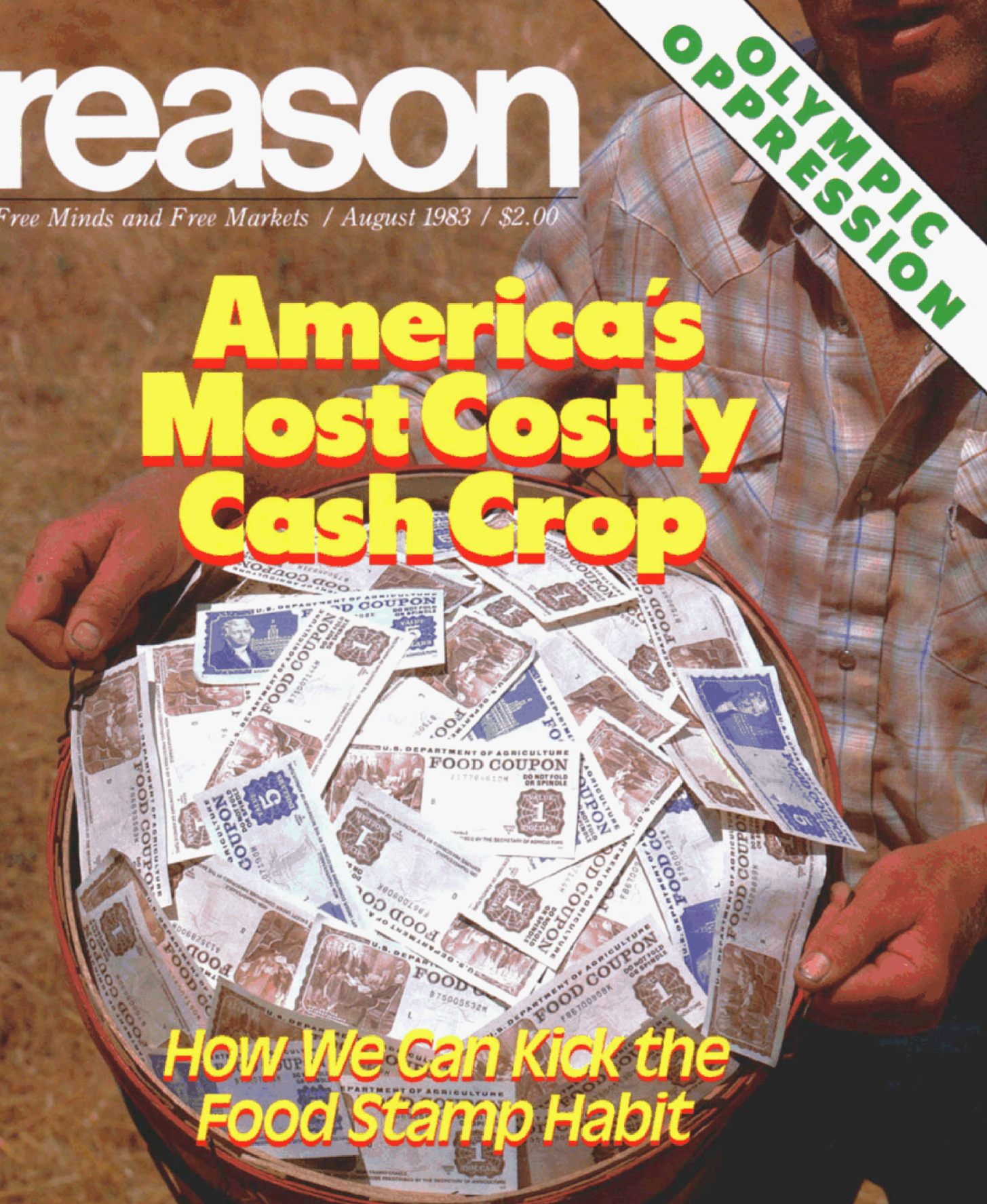

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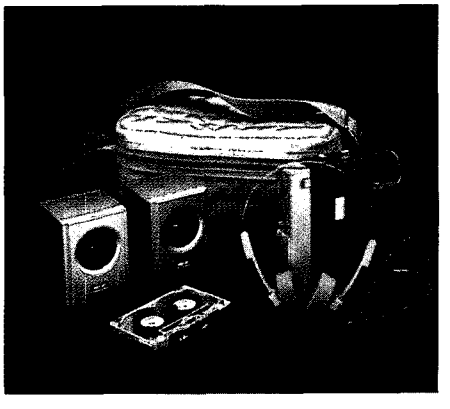

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Free Minds and Free Markets

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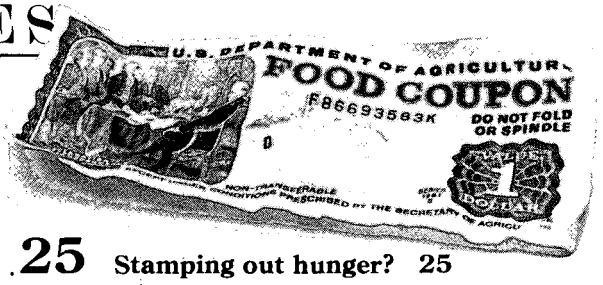

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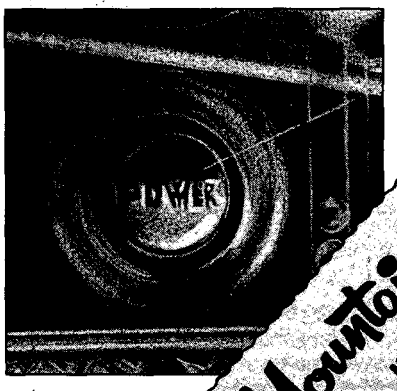

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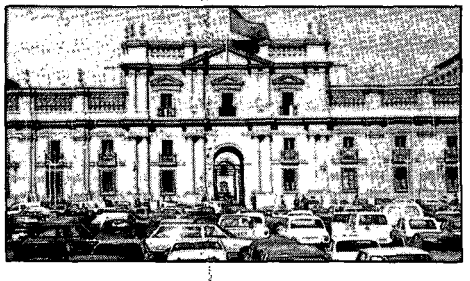

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NOTEs

Our May lead story on the privatization of airport control towers has generated a lot of interest. Author John Doherty was invited to attend the June 8 convention of the American Association of Airport Executives in Orlando. He reported back that association members—operators of smaller airports—seemed to be quite interested in the idea. John has also been asked to contribute an article on the subject to the Air Line Pilots Association magazine. Meanwhile, at press time, *Newsday* had slated for June publication a feature story on air traffic control privatization, mentioning both Doherty's REASON article and my own privatization proposal (published last year by the Heritage Foundation). And Tom Morgan's "Moneytalk," syndicated on 75 radio stations, discussed Doherty's article in a May broadcast.

Leonard Read, one of the pioneers of 20th-century libertarian thought, died May 14 at the age of 84. One of my very first exposures to free-market thinking came about when I discovered the *Freeman* while in college. This little monthly magazine made economics crystal-clear and helped me survive two semesters of Paul Samuelson's neo-Keynesian economics at MIT. The *Freeman* is still published by the Foundation for Economic Education (FEE), the organization Read founded in 1946. Over the years thousands of thinkers, writers, and business leaders discovered the free market thanks to FEE seminars and publications; many of them went on to start think tanks, write best-sellers, or become important educators in their own right. Long after most men retire, Read continued to write and lecture—the last of his 30 books was published just last year. REASON was proud to publish an interview with Read in April 1975.

Two of our recent articles on education continue to attract attention. Samuel Blumenfeld's October 1982 article, "The Victims of Dick and Jane'," has been reprinted once again, this time as a handsome pamphlet. Copies are available, at four for $1, from America's Future, 514 Main St., New Rochelle, NY 10801. Large-quantity discounts are available, too. And our April cover story, Gerald King's "Home Schooling: Up from Underground," is being distributed by the National Association for the Legal Support of Alternative Schools (Box 2823, Santa Fe, NM 87501). Incidentally, one of the leading researchers on home schooling quoted in the article—Raymond S. Moore of the Hewitt Research Center—recently had a long article on the failings of public schools in Columbia University's prestigious *Teachers College Record*. Titled "Research and Common Sense: Therapies for Our Homes and Schools," it appeared in the Winter 1982 issue.

Free-market environmentalism is getting increased exposure these days. REASON contributors and Advisory Board members John Baden and Steve Hanke had virtually back-to-back articles on the subject—Baden's in the May 2 *Barron's* and Hanke's on the op-ed page of the May 6 *New York Times*. And William Tucker, author of "Conservation in Deed" in our May issue, has an article on free-market environmentalism in the June issue of *Inquiry*.

Our award-winning exposé on the Love Canal incident (February 1981) is being reprinted once again, this time in a textbook edited by Prof. Wayne Hamilton of the University of Maryland. And Prof. Bernard Siegan's January 1981 article on the rise and fall of "economic due process" has been reprinted in pamphlet form by the International Institute for Economic Research (1100 Glendon Ave., Suite 1625, Los Angeles, CA 90024), headed by Reason Foundation Advisory Board member William R. Allen.

The free market produces both winners and losers. And, unfortunately, sometimes outright frauds. In our April issue, we reported in Trends the startup of an ambitious jitney service in Los Angeles called Express Transit District. But the company ceased operations in April (after our issue came out), amid charges by the district attorney's office that its founders may have operated a pyramid scheme, bilking investors by selling the same minibuses to several different people. (Those founders were believed to have fled to Mexico.) In May, however, a court-appointed receiver approved a plan under which the investors would put in additional funds to enable the company to resume operations. Thus, Express Transit District may ride again. We'll keep you posted.

—R. P.

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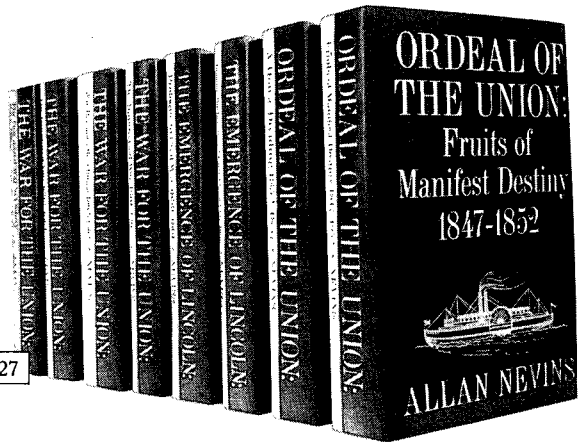

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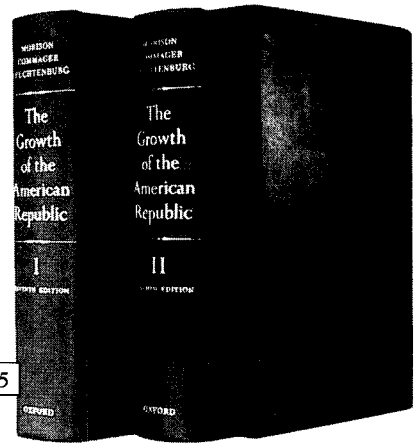

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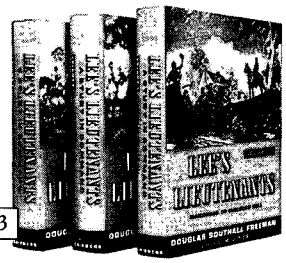

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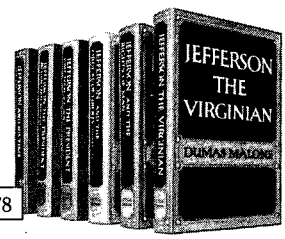

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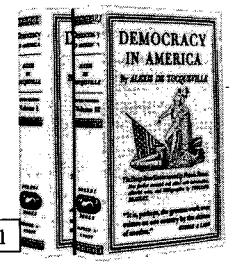

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Robert Poole, Jr.

Healing American Industry

With each passing week, the call for an "industrial policy" grows louder. Every Democratic presidential hopeful has some version of this idea, and Walter Mondale was reportedly ecstatic at the recent publication of Harvard professor Robert B. Reich's *The Next American Frontier*, which argues for such a policy. *Business Week* and Wall Street potentate Felix Rohatyn have been beating the drum for an industrial policy for several years.

Most conservatives and libertarians reflexively denounce such proposals for further government intervention, asserting that all we need is the free market. But this response, while technically correct, is simply not adequate.

In fact, we *have* an industrial policy today, though it is more implicit than explicit. The net effect of the US tax system, regulatory system, and even the public school system amounts to a *policy* toward business and industry. And, unfortunately, as free-marketeers have been pointing out for years, that policy is very damaging to economic growth.

The damage has been growing more obvious for years, but the recent recession managed to bring it into sharp focus. What were once "basic" US industries—autos, steel, machine tools—have failed to adjust to a changing world economy and are now being undersold by lower-cost, higher-tech firms overseas. This has led to wrenching unemployment and severely depressed regions. The only way such firms can survive is by drastic restructuring—yet in most cases, their remaining work forces refuse to accept competitive (lower) wage scales or to give up obsolete work rules. Moreover, interest rates remain so high that the billions needed for modernization are simply not being invested.

So it's quite clear that there *is* a problem, one of massive proportions. What should be done about it? Unfortunately, what is being offered as an industrial policy fails to address the causes of the problem and would only make matters worse. Whether it's the United Auto Workers, congressional Democrats, or the *Business Week*/Wall Street crowd, their basic proposal includes some sort of business-labor-government planning body and a development bank to provide grants, loans, and loan guarantees at taxpayer expense.

It should be crystal-clear by now why such a scheme will not work. First, there is no reason whatever to expect the individuals running either body to be able to obtain better information or make better decisions than the current participants in the capital markets—who, after all, have their *own money* at risk. Moreover, it is naive to expect such bodies to operate from some sort of godlike perspective outside the normal political process. As Sen. William Proxmire (D-Wisc.) recently put it:

> *Money will go where the political power is. . . . It will go where the union power is mobilized. It will go where the campaign contributors want it to go. It will go where the mayors and governors as well as congressmen and senators have the power to push it. Anyone who thinks government funds will be allocated to firms according to merit has not lived or served in Washington very long.*

The most likely result of this sort of industrial policy is the preservation of obsolete firms, technologies, and processes ("lemon socialism") plus the funding of a few politically sexy high-tech boondoggles like the Concorde supersonic jet and the Synthetic Fuels Corporation.

What we need, instead, is a thorough overhaul of the government's existing *anti*-industrial, *anti*-entrepreneurial policy. Such a policy should be based on Joseph Schumpeter's insight that true capitalism is a process—not an end state—a process he called "creative destruction," whereby inefficient, outdated firms and technologies are continually displaced by new and more productive ones.

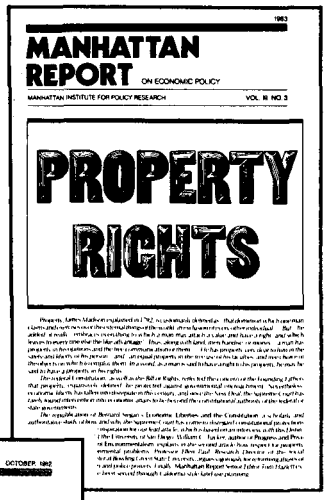
What might such a policy consist of? Its first element would be a tax policy that rewards enterprise rather than discouraging it. For starters, as both conservative Ronald Reagan and neoliberal Lester Thurow have urged, abolish the corporate income tax and the entire patchwork of inefficient credits, loopholes, deductions, exemptions, and paperwork that go with it. Corporations don't really pay the tax, anyway—consumers do. Second, abolish *all* taxation of savings and investment, including both the capital gains tax and taxation of dividends and interest. The final element in ensuring a strong flow of new business investment would be to abolish antitrust restraints—especially those on joint R&D efforts—as urged by both Thurow and many free-market economists. Together, these changes would put US entrepreneurs on at least an equal footing with the Japanese.

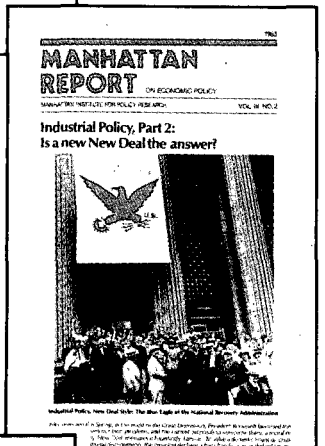
But to restore competitive flexibility—the ability of both companies and their work forces to adapt to change—a heavy burden of regulation must be lifted, too. Labor laws that put the government's hand on the union's side of the scale must be abolished. Without their more-than-equal bargaining position, it is doubtful that US auto and steel workers would have been able to force their wages up to more than twice that of their Japanese competitors or to resist the kind of flexible work rules that enable Japanese cars to be produced with half the number of labor hours of US cars. Likewise, *all* restrictions on imports must be removed. The constant spur of world competition is essential to the process of "creative destruction" that will bring us all the benefits of innovation and growth.

Finally, if we are to move into the high-tech, flexible, decentralized economy in which our future competitive advantage lies, it's essential that we have a work force of competent, literate, adaptable people. To get them, we need to break the monopoly of the bumbling public school system, introducing real competition into the educational marketplace. Only then will schools be held truly accountable for results by those who pay the bills.

Advocates of liberty must do more than simply arm-wave about free markets. Today's anti-industrial policy is the cause of our stagnation. A big-government industrial policy would only make matters worse. But a policy that fosters entrepreneurship and competition—that sort of "industrial policy" is worth fighting for.

Robert Poole, Jr.





"Mussolini Didn't Make The Trains Run On Time..."

And there's no reason to believe that modern-day proponents of an American "industrial policy" would succeed in redeploying resources effectively, either. So says author and economist Melvyn Krauss in a recent issue of the **Manhattan Report** dealing with the industrial policy debate. That issue, like earlier reports on **Government Funding of the Arts, Social Justice and the Reagan Budget,** and **The State Against Blacks,** is provoking thought **and** action on significant issues of public policy.

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Letters

Plaudits

Your excellent May anniversary issue prompted me to write to offer congratulations for both the May issue and the tremendously important work you've done for 15 years. I began subscribing around 1972.

I found Machan's "Profits with Honor" and Tucker's "Conservation in Deed" articles particularly excellent. John Hospers's article was also excellent, and much better than the companion articles on the futures of Britain, Scandinavia, and West Germany, I thought. I found the latter too philosophical and not down-to-earth in terms of concretes; sure, the welfare state is everywhere, but a country's future depends on specific policies and trends. I came away feeling largely ignorant of these for Britain, Scandinavia, and Germany.

And finally, was I ever amazed to read about Bob Poole's model railroading hobby! While I'm not into it, I do have a fascination with model railroads.

Thanks, guys and gals, for your excellent work in spreading reason and liberty and for raising my spirits every month.

Dennis Edwall
Thousand Oaks, CA

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Muddied Waters?

William Tucker is right to sense that private property ownership is the key to stopping pollution ("Conservation in Deed," May). But dealing with pollution does not require introducing private ownership of rivers, aquifers, or "airsheds."

If you fire a bullet that hits a peaceable person—say a TV repairman in his shop, a plumber on your pathway, or a UPS driver on a public street—it is absurd to suppose the case hangs on whether your bullet traveled in a privately owned airshed or an airshed "commons." Forget the airshed—your bullet has invaded the peaceable victim's body, which is undeniably his privately owned property. To force him to accept this invasion of his private property by your bullets is clearly a violation of his property rights.

When polluters force peaceable people to breathe, drink, and ingest substances to which they object, it is like forcing them to accept bullets to which they object. Moreover, polluters easily forget that there are responsibilities as well as rights tied to private property ownership. Owners have responsibilities to control their property and to keep it from invading the property of others. Polluters, who own many inconvenient waste-products, are clearly failing to control their privately owned property.

The solution to pollution is inherent in the *existing* rights and responsibilities of private property ownership. There is no need to complicate, muddy up, and delay the solution by introducing privately owned airsheds and waterways. Occam's Razor!

John W. Gofman, M.D.
and Egan O'Connor
San Francisco, CA

Mr. Tucker replies: I find this effort to fit all polluting interactions into the mode of interpersonal actions and "violations of space" rather clumsy and strained. Certainly, shooting a bullet randomly into a crowd is antisocial, but does that mean we should repeal the murder laws and let the two individuals settle it themselves through private lawsuits? Or try working the analogy the other way. Firing a bullet on the street is reprehensible, but what about brushing against a person as you walk past him, or walking the streets with the flu and risking passing the germs to someone else?

The kinds of dangers we are exposed to from individual polluters are far closer to the second and third analogies than they are to the "bullet" idea. That is why it is more simple, at least at this stage of technology, to allow the government to deal with many of them in aggregate form, just as we license people to drive cars, even though each and every individual driver is a *potentially* lethal threat to every other driver and every pedestrian that walks the streets.

As a footnote, I have the suspicion that it is Dr. Gofman's inability to deal with the concept of *degrees* of risk that has enabled him these many years to stand before thousands of people and say that nuclear power plants are "license to murder," even though the health and safety risks to individuals are known to be orders of magnitude less than walking past a person on the street who has a cold.

Put the Market On Its Mettle

Is the free market incapable of handling trade in so-called "strategic" metals? James Sinclair and Robert Parker ("Mine the Metals Market," June) would have us believe so. The authors support "privatization" of the federal stockpile program through tax incentives to metals investors. They argue, "The most legitimate purpose of tax incentives and tax shelters is to stimulate investment in areas of industry in which risk and national need exist but in which a capital base is lacking or deficient."

But this is just social engineering in probusiness clothing. Who can claim adequate knowledge to decide what constitutes "national need" or when capital is "deficient"? That is what the free market is for!

The authors' proposal would also give the government the option, in the event of an "emergency," of purchasing stored materials from investors who took part in the tax-break plan. The implication here is that the free market can't be trusted with scarce resources; only a government monopoly can assure proper distribution of materials in short supply.

Sinclair and Parker suggest that the Reagan administration, "with its philosophical commitment to free-market principles," might approve of this plan. This is probably true, and it gives us a fine example of the type of economics this administration is trying to sell us under the "free market" label.

The authors claim that their plan "should not overly distort markets." Better that they not be distorted at all. If US

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industries need insurance against disruptions in the supply of raw materials, let them pay for it themselves.

William S. Statler
Davis, CA

Psychiatric Dissident

As a survivor of psychiatric assault, I am heartened to see that REASON continues to take a strong stand in favor of psychiatric inmates' rights. You are one of the few journals to oppose both the "progressive" demand for more tax-funded psychiatric "services" (that is, tortures) and the demand by those who, as Murray Rothbard puts it, are "only interested in scoring Brownie points in the Cold War game" to limit criticism of psychiatric atrocities to the Soviet Union and other Communist countries....

Regarding Dr. Szasz's proposal for a "psychiatric will"(May), I find problems with it. It does not protect children or allegedly "incompetent" people; it may also lead to thorny legal problems in the case of those who change their minds once the shrinks come with their Prolixin needles and ECT machines. I hope Szasz is not selling us out to the advocates of therapeutic statism. Ex-inmates and others who advocate liberty against psychiatry ought to stick to our principles and insist that psychiatric relations be limited to adults who give truly informed, uncoerced consent in the private sector.

We shall not compromise with therapeutic statists who want to deprive us of our human rights and individuality.

Stephen Mendelsohn
Simsbury, CT

Rothbard on Rand

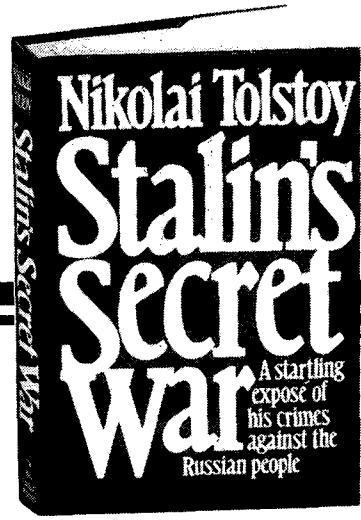
Wonders, apparently, never cease. I never thought I would be leaping to the defense of Ayn Rand as against Doug Den Uyl, but I thought his review of *Philosophy: Who Needs It* (May) unduly harsh. In the first place, Rand was a prophet—a creator of a new paradigm—rather than a systematizer. It is unreasonable to expect a prophet also to do the work of getting down into the scholarly trenches, replete with elaborations, qualifications, footnotes, and the rest of the scholarly apparatus. *That* work is being done very well, by Den Uyl himself and others.

Second, one need not accept the view

(Continued on p. 66)

"A STUPENDOUS BOOK"

– Joseph Sobran
National Review



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Mr. Sobran's review explains why:

Liberals forever remind us that the Soviet Union lost twenty million people in World War II. Nikolai Tolstoy (grandnephew of Leo) puts the figure even higher. But he argues that most of them were killed by Stalin himself....

He was incomparably the richest man who ever lived: "Stalin virtually owned the Soviet Union in as absolute a sense as property can acquire." When a dog in the street woke him with its barking, he had dog and master shot. A series of painters who produced insufficiently flattering portraits of him — five-feet-four, scrawny, scrofular — were also shot. While the proletariat was reduced, at times to cannibalism, he had mountains of caviar specially flown to his enormous personal estate, where he watched the American gangster movies he loved....

He drove one wife to suicide, obscenely abused his daughter for wanting to marry a Jew, beat and insulted a son, whom he later allowed to die unransomed in a German prison camp. He delighted in tormenting his highest confederates — including the nominal president of the USSR, Kalinin — in front of foreign dignitaries...

With his own criminal example he encouraged what one trusts was by far the most brutal period of violence in human history. Even *The Gulag Archipelago* hardly prepares one for this. One example will convey the tone: a man who would not "confess" to Trotskyist activities even after castration was forced to watch his pregnant wife beaten until she delivered a stillborn child. Such things were done thousands upon thousands of times, year after year after year. Special instruments of torture were apparently mass-produced, one for squeezing the skull, another for the testicles, and so forth, though interrogators were permitted to use broken bottles, ice picks, or whatever other conventional tools appealed to them....

There was apparently only one foreign head of state Stalin really trusted. He was paralyzed with shock and incredulity when Adolf Hitler broke his word by attacking Russia. For days he could barely compose himself sufficiently to order the usual potential enemies shipped off to labor camps; but eventually he did, even when he couldn't formulate a battle plan against the Germans.

It was always the domestic enemy he feared most: the kind of wartime revolt that had toppled Kerensky. Stalin did indeed make unremitting war on his own people; he never really understood why they didn't fight back, and he was amazed at the patriotism that drove them to fight for Russia, despite everything, when Hitler invaded.

Instead of returning the favor, he stepped up his pre-emptive purges all the while his people were saving his skin. It is wickedness of an astounding degree. This book makes *The Rise and Fall of the Third Reich* seem like Restoration comedy.

Tolstoy, who is worthy to inherit the name, interprets the slaughter of the Polish officers in the Katyn Forest as one of Stalin's attempts to forestall domestic revolt: the officers might have given potential rebels in the western part of the Soviet Union the leadership they needed, igniting a general uprising.

Just before his death Stalin was contemplating an invasion of Western Europe.

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brickbats

Trevor Parker survived a car crash over a 150-foot seaside cliff in western England because he didn't wear his seat belt. Now, because of a law that's been dumped in the laps of the British people, he may be prosecuted and ordered to pay a fine of $80. The cad actually violated the law that makes wearing seat belts compulsory after January. "It's a miracle he's alive. He wouldn't be around if he had been wearing a seat belt," said policeman Terry Whitts after the accident. "He was flung clear through the windshield. The car was completely destroyed when it hit a ledge and burst into flames." Parker landed safely in the sea. He survived the plunge, but now the law is going to belt him in the wallet.

The squeamish may want to turn the page at this point. A Tioga County, New York, sheriff's deputy was suspended without pay for three days for eating a live racing mouse in an Owego bar. Arnold Creeley was betting on a mouse race at the Rainbow Trail tavern when he told the mouse that if it didn't win, he was going to eat it, according to bar owner Donald Wheeland. The mouse lost, so Creeley put ketchup, salt, and pepper on it and swallowed the rodent. Sheriff James Ayers says Creeley brought discredit to the department. The sheriff should be happy. Creeley wasn't betting on the horses.

Great Moments in Government Planning: After spending more than $700,000 to renovate part of an office building near the Capitol, the Veterans Administration has left the space vacant for more than a year because agency officials can't decide how it should be used. The agency has paid more than $1 million in rent on the unoccupied office space. Part of the problem is that the building is in such a high-crime area that few VA employees are willing to locate there. Empty space is indeed a problem, particularly when it's between the ears of bureaucrats.

British courts have ruled that television viewers can't legally buy England's version of *TV Guide*. The BBC and Independent (?) Television Publications, both public monopolies, were able to prevent the magazine *Time Out* from publishing weekly lists of selections from their advance schedules. The court ruled that both BBC and ITV guides and schedules were "literary works, prepared with a great deal of skill and labor, and therefore protected from being copied." So British viewers will continue to be denied the convenience of a single reference guide. Since the BBC and ITV are public monopolies created by Parliament, their program schedules must surely belong in the public domain. Not in the eyes of British justice.

"HE SAYS IT'S A FLOOD-CONTROL PROJECT, TO PROTECT US FROM A DELUGE OF LOW-PRICE, HIGH-QUALITY GOODS...."

Bellicose boo-boo: the crew of an Australian navy patrol boat blasted a hole in the ship's bow while practicing a 15-gun salute that never made it past "Fire one!" No one was hurt, but the *H.M.S. Buccaneer* will be in dry dock for a few weeks for repairs. Said an Australian navy spokesman: "The gun should not have been able to fire while it was pointed towards the ship—theoretically, that is." Back to the drawing board.

Thomas W. Ward, the mayor of tiny Berlin, Connecticut, appointed a What To Do With the Statue Committee, which decided to sell the weird-looking piece of municipal art back to the sculptor. The town bought the statue, named "Star Dancer," sight unseen to sit in front of the new municipal complex. But no one expected what was unveiled. The statue has seven legs attached to a common rump. Sculptor Andrew Coppola says it represents a "cartwheel of expression," but local vandals and lovers of whimsy have placed plaster casts on all the legs and have even diapered the statue. "This was clearly an uninformed, Philistine reaction," complained Coppola. "The public has no background. They would never think to question someone doing brain surgery. But when it comes to art, the people who know the least say the most."

From the government that brought you WIN buttons, cost overruns, and the cheese give-away program, the latest in the federal commitment to public service: Legionnaires Disease. The combination of a strong federal push for energy conservation during the 1970s and safety measures enacted by the Joint Commission on Accreditation of Hospitals may have been a factor in the growth of the bacteria causing Legionnaires Disease, according to a study by Ohio State University. Hospitals reduced their maximum hot-water temperature from 140 to 110 degrees to comply with new federal rules. Bringing the temperature down to 110 degrees provided the ideal temperature for the growth of the organism that causes the dread illness, the study found. The organism, which flourishes in both large and small water systems, causes an often fatal form of bacterial pneumonia.

—MARK EDWARD CRANE

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• How James P. charges $2,000 for a simple service most businesses need, but few people are aware of. He has so much business, he doesn't even advertise!

• How Ronald P. earns $100 per week on a $200 investment supplying a service needed by most storefront merchants.

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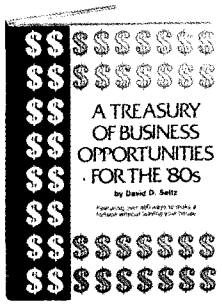
And this is just the beginning! You'll learn how to rake in enormous finder's fees for putting two types of common business clients in touch with each other. You'll discover why certain national manufacturers will pay you upwards of $40,000 a year for making local contacts for them. You'll see how to start a business in which moonlighters work their tails off to earn you $50,000 a year.

You'll learn where to haul away crates of what some businesses consider "junk"—but which other businesses need desperately and will pay you as much as $60,000 a year for. You'll discover a product that costs pennies to make, sells for $5, and is wanted by thousands in just about every community. And you'll be shown how to start an exclusive kind of club which can bring you more than $50,000 a year from people who'll feel *privileged* to pay you a hefty membership fee for the right to belong!

You'll see how to sell *a few sheets of paper* for as much as $2,000 to businesses all over your home town. . . . You'll read about the "dead flower" strategy that requires only one visit per customer per month yet gives back up to $25,000 per year in return. . . . You'll discover how to get people all over your community to gladly lend you their cars and then just as gladly pay you up to $50,000 a year to perform one simple, nonmechanical act with those cars.



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MORE TRUCK WITH DEREGULATION

The partial deregulation of the nation's interstate trucking industry in 1980 has had some dramatic results. Minorities, for instance, have benefited: there now exist more than 300 minority-owned trucking firms, three times as many as in prederegulation days. And shippers everywhere now enjoy reduced rates, large discounts, and improved service. With 6,500 more trucking firms operating today than in 1979, the competitive results are no surprise.

Also no surprise, however, are trucking-industry calls for renewed regulation. In urging new regulation, for example, the American Trucking Associations reports the failure of 250 carriers that were unable to keep up with the vigorous price competition—some carriers have slashed rates by nearly 30 percent and now offer discounts of as much as 10-20 percent. But the Reagan administration—as well as the Interstate Commerce Commission (ICC)—wants to carry deregulation of the industry even further, removing all rate-setting restrictions.

Coming to a head within the trucking industry itself is a battle between contract and common carriers over the rate-reporting requirements. Contract carriers negotiate rates with individual shippers and want exemption from an ICC requirement that they report every rate negotiated. Common carriers, who are legally required to serve anyone, must post rate changes with the ICC 30 days in advance, thus placing them at a disadvantage in negotiating lower rates.

Common carriers want more rate restrictions for the contractors. And while contract carriers may not exactly welcome the competition that would follow from deregulating the common carriers, they would prefer total deregulation for all over more regulation of their own operations.

Meanwhile, as the ICC moves to free up the interstate trucking market, moves are afoot in Colorado and Alaska to deregulate the intrastate markets there. In Colorado, the free-market group Coloradans for Free Enterprise is busy putting together a ballot initiative for motor-carrier deregulation. CFF spokesman Paul Grant reports that the initiative aims to decontrol the entry, exit, rates, and routes for all carriers (including passenger, as well as cargo, carriers).

Over the last 10 years, four bills to implement such deregulation—all sponsored by state senator Don McManus—have lost in the Colorado legislature. Grant expects the voters—who, if the initiative is successful, will decide the issue in the November 1984 elections—to stand up to the antideregulation lobby better than have the state's legislators.

And in Alaska, proponents of an extensive transportation-deregulation initiative are seeking signatures to put the issue on a statewide ballot next year. In addition to decontrolling surface carriers, the initiative seeks to free up air transport as well, including air taxis. In vast, road-poor Alaska, air taxis are essential to transportation—and Alaska is one of the few states that regulate air taxis.

Already, Florida and Arizona have deregulated their motor carrier industries. Prof. James Freeman of the University of Kentucky has studied the Florida situation. In a survey of both shippers and carriers throughout the state one year after deregulation, Freeman found that carriers were about equally split for and against deregulation, while nearly 90 percent of the surveyed shippers were "satisfied" with deregulation (though only 54 percent actually "preferred" deregulation). "There is no evidence," Freeman wrote in his study, "that any shippers or municipalities have been without adequate service since deregulation."

Freeman's recent follow-up research indicates that shipper support for deregulation is even stronger now, while carrier support may have declined slightly. Some of that decline may be explained by another of Freeman's recent discoveries: Florida's intrastate shipping rates apparently haven't increased over the last two years. Now that's competition at work!

TAXPAYERS' RESCUE

Last year the skipper of a boat anchored off a coastal island near Santa Barbara, California, tried to fire up his engine, but it wouldn't start. He had no cause to worry—he knew the Coast Guard would save the day. After he radioed the Coast Guard, he was picked up by a helicopter and his boat was later towed back to the harbor.

It may have been a wonderful and dramatic episode, but with the possible exceptions of Zorro and Mighty Mouse, there are no such things as free rescues: the operation, like all other Coast Guard rescues, was paid for entirely by taxpayers. In this case, the Coast Guard's fuel bill alone was roughly $2,000, but the hapless skipper didn't pay a penny of the expense.

Because boaters pay nothing for rescues, the Coast Guard has always had to contend with "unnecessary rescues," Lt. Phil Dyer told the Santa Barbara *News-Press*. "People who know that a cutter is one hour away are likely to go out without enough fuel and/or a questionable battery—that sort of thing," he said. "The farther away you are from the Coast Guard, the more likely it is that you'll take care of yourself."

Some proposals for reform have been made. In April, for example, the National Advisory Committee on Oceans and Atmosphere (NACOA) proposed that the Coast Guard charge for "nonemergency" rescues. Dyer suggests that another solution could be privately operated seagoing tow services similar to those offered by auto clubs. "A highway patrolman will help you on the highway," he says, "but it's not their job to tow you in. They'll get you the services you need."

In fact, such private towing services are already operating a bit farther down the California coast, Coast Guard spokesperson Rick Woods recently told the Torrance (Calif.) *Daily Breeze*. And a new company called Vessel Assist began operation at Marina del Rey in May, providing not only towing service but mechanical repair for boats at sea. (Towing is a "last resort if the problem can't be fixed at sea," said Vessel Assist President Bill Lafay.)

On the Florida coast, private tow services have been operating for several years. Lt. Christopher Kelly, an officer of the Coast Guard's 7th District—which covers most of Florida and the Southeast, part of the Gulf of Mexico, and all of the Caribbean and Panama Canal area—told REASON that although it is a fairly new industry, private towing services are operating in 7th District waters. Their custom is mainly providing routine assistance to "Joe Boater who runs out of fuel," Kelly said, while the Coast Guard handles emergency rescue services where long distances are involved or life is in danger.

The NACOA proposal for a limited user-

fee system is bound to stir controversy, and the extensive privatization of rescue service on a nationwide basis is far from imminent. But the experience in Florida and California with private tow services has been successful as far as it goes, and there's no reason that routine towing services and even emergency rescue service couldn't be privatized on all the coasts.

ONWARD, CONTRACT SOLDIERS

What Carnegie Hall is to music, the *Harvard Business Review* is to business journalism. When it published an article in its March-April issue called "Growing Opportunities in Public Service Contracting," that was a good sign that contracting out of government services has become respectable.

"With costs rising and tax and other revenues having difficulty keeping up," the article's author, James L. Mercer, said, "the private sector is likely to find many more opportunities in the years ahead to do work for municipal and other local governments."

The article mentioned such successful entrepreneurs as the Cincinnati-based ATE Management & Service Co., which operates 51 transit systems in cities such as Sacramento, Cincinnati, Charlotte, and Wilmington, and seven systems in Saudi Arabia. The firm has documented savings realized by its operation of various transit systems. They range as high as $200,000 while turning an annual 5 percent ridership loss into a 7 percent gain. More than 90 percent of ATE's contracts have been renewed, and the company plans to expand into transit planning and operation of school buses.

According to Mercer, "A key to a successful contractual relationship is an understanding about how performance [of the contractor] is to be measured." He suggests that this should include not only quantitative measures of performance—such as sanitation routes operated per month per dollar value—but such gauges of effectiveness as service "with no more than a certain number of complaints per 100 households."

One problem that Mercer alludes to is the political landscape where the contracting is being done. Powerful interests are often a major obstacle—perhaps none more so than government-employee unions.

In 1978, for example, Los Angeles County voters approved Proposition A, which significantly expanded the range of government services that could be contracted out to private firms. A majority of the present county board of supervisors is favorable to contracting out, and a California taxpayers' newsletter reported in March that 252 "Proposition A contracts" have been awarded for a cumulative amount of $47.3 million. (This is only a fraction of the 6,000 non-Proposition A contracts awarded in 1981-82, with a total value of $250 million.)

But all is not quiet on the contracting-out front. The Service Employees International Union (SEIU), whose membership includes 40,000 county workers, has been fighting the contracting process every step of the way. And the Los Angeles County grand jury recently commissioned a report by McManis Associates on contracting out of services under Proposition A.

When the McManis report was issued in May, County Supervisor Kenneth Hahn, an opponent of contracting, called it a "scathing report" that shows contracting as an "Alice in Wonderland program—a big hoax." SEIU official Cheryl Rhoden told the *Los Angeles Times*, "I think it's time that responsible people in the community start yelling about [contracting]."

But just what was so "scathing" in the McManis report? Not much. Most important, it disputed county reports of savings realized as a result of Proposition A contracting: the county had showed a total of $25.6 million saved as of December 31, 1982, while the McManis analysts found savings "closer to $10.8 million." But Kris Vosburgh, an aide to the chairman of the board of supervisors, Mike Antonovich, later explained that the discrepancy hinged on a simple misunderstanding. County officials were reporting savings from *all* contracting out, while the McManis report was counting only the savings by contracting out that resulted directly from Proposition A.

Yet this issue—whether Proposition A was saving the county $25.6 million or a "mere" $10.8 million—plus some relatively minor recommendations for ad-

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ministrative reform, gave rise to charges such as Hahn's and Rhoden's. It is interesting that a dismayed Allan Rusten, who headed the grand jury investigation, told the *Times* that he regretted "the very heavy emphasis on the negative aspects of the report." He said, "We are saying we think that contracting out is a valuable management tool if used properly."

Despite the political flak, board chairman Mike Antonovich has consistently supported contracting out. "Failure to pursue this policy will result in higher taxes and poorer quality of service to the public," he warned in a letter to the editor of the *Times*.

RATINGS RISE FOR AIR WAVE FREEDOM

"Broadcast deregulation is one of the key issues, and among the most complex, facing Congress this year," a *Los Angeles Times* reporter observed in May. When one recalls that the issue of broadcasting deregulation was virtually nonexistent only a few short years ago, this is pleasant news indeed.

In May, Reps. Tom Tauke (R-Iowa) and Billy Tauzin (D-La.) cosponsored a bill, strongly supported by the National Association of Broadcasters, that would eliminate procedural hearings for FCC license renewal. This would, as the *Times* said, make radio and television broadcast license renewal "almost automatic, leaving the broadcasters to operate more freely than ever in the past."

At the time of this writing, political maneuvering on the bill continues, with its supporters trying to circumnavigate Rep. Timothy Wirth (D-Colo.), the chairman of the House subcommittee on telecommunications and no friend of deregulation. "It's all very fluid," an observer told the *Times*. A showdown should come in the fall, but an indication of the atmosphere on Capitol Hill was the easy Senate passage early this year of a radio deregulation bill cosponsored by Sens. Robert Packwood (R-Ore.) and Barry Goldwater (R-Ariz.).

Meanwhile, more good news for friends of deregulation came from the US Court of Appeals in Washington. A three-judge panel voted to uphold major portions of the Federal Communications Commission's 1981 partial deregulation of the radio industry. The FCC had issued a ruling that dropped limits on commercials, eased license renewal requirements, and abandoned minimum air time for news and public affairs programming.

Two days after the Appeals Court ruling in May, the FCC proposed elimination of two rules under the so-called fairness doctrine. One rule required broadcasters to provide time for individuals and groups to respond to attacks on their "integrity, character, or honesty," and another required any station that endorses or opposes a political candidate to offer response time for the other side.

Maybe the FCC will not bring a free-market utopia to broadcasting, hitherto one of the most regulated industries in America—but it's been inching ever closer.

STOP AND GO FOR TAXI DECONTROL

Now added to the list of cities with at least partial deregulation of taxis—all of Arizona's cities and towns; San Diego and Santa Barbara, California; Seattle and Spokane, Washington; Honolulu; and the District of Columbia—is Kansas City, Missouri. In March, the city repealed its rate restrictions on cabs, although the number of permits is still limited (presently to 542).

Barbara Williams, of the city's transportation office, told REASON that the city's decision to repeal the rate-setting ordinance was partially motivated by concern over antitrust liability, following a 1982 US Supreme Court ruling that cities can be sued on antitrust grounds for restraining competition. In addition to allowing operators to set their own rates, the new law requires permits—which now will expire annually—to be attached to operating cabs.

In response to the measures, the city has received nearly 200 or so new applications for permits. Because the city's largest cab operator, Robert Christine, held 200 inactive permits, many new applicants hoped to get a permit under the new rule requiring the attachment of permits to active cabs. But, also in response to the new rule, Christine was able to get most of those inactive permits fixed to operating cabs.

Taxi deregulation, however, recently suffered a setback in San Diego. In response to complaints coming from the tourist industry there, the city council in April imposed a one-year moratorium on new taxi permits. In addition, the council reimposed a maximum rate—$1.60 per mile—that cabs can charge. According to Barbara Lupro, of the city's Paratransit Administration, there has been no official change in the paratransit code. She said, however, that the council may indeed permanently reinstall the rate ceiling.

The problems largely stem, it appears, from "confusion among tourists"—particularly at the city airport—over the competitive pricing of cabs. While some cabs charged as little as $1.20 per mile under deregulated pricing, others charged as much as $2.50 per mile. Apparently, some visitors to the city, unaware of the various rates, felt they had been had.

On a more welcome side, Lupro reported two noteworthy results of deregulation in San Diego: (1) response time to calls for cabs appears to have improved dramatically and (2) insurance rates for cabs have declined significantly, to about 20 percent below the national average—from more than $2,000 annually before deregulation to about $1,400 now. This despite the fact that San Diego requires significantly more insurance coverage for its cabs than most other American cities.

Dave Estey, a San Diego insurance agent, has studied the taxi market there

§ WEALTH §

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extensively over the last few years. He told REASON that "good old American competition" explains the insurance-rate decline. Since deregulation, the number of cabs in San Diego has doubled (to more than 900 today), creating a larger—and thus more attractive—market for cab insurers. Increased competition for the growing market—as well as insurers' underwriting more lower-cost group policies—has pushed rates down. So much for the oft-proffered antideregulatory argument that insurance would be unavailable for new transit operators under decontrolled entry.

EXPRESS SERVICES OUT OF SIGHT

At a time when many other industries are reaching new lows, the small-package-delivery business is soaring. Analysts expect the $3-billion-a-year industry to continue at its present double-digit rate for several more years. And, as a result of airline deregulation, a rising number of companies are scrambling to get a bigger share of the various market areas.

Gargantuans in the field—like Federal Express, Airborne Freight Corp., Emery Worldwide, Purolater Courier, and United Parcel Service—are all busy trying to expand, improve, and innovate service. Emery, for example, recently introduced its Urgent Letter—an overnight desk-to-desk delivery service—in 20,000 North American cities, as well as a worldwide version of the service. And a variety of companies now offer next-day and second-day delivery services, many of them promoted through slick advertising campaigns.

Many firms are moving to start-up facsimile-transmission services to diversify their business. Such expansion is also spurred by the development of electronic and satellite-communications services, which promise to one day supersede document-delivery services.

Not only must the established companies in the field vigorously compete against one another for business—aggressive newcomers are intensifying the battle for market shares. One notable example is DHL Corp., the US branch of an international overnight-package-delivery concern that already serves 97 percent of the 500 largest companies in the United States. DHL has now launched domestic services, supported by a $10-million advertising effort. Its main competitor is Federal Express, which is itself attempting to expand into the international market.

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from the newcomer DHL), Federal Express recently moved to diversify its operations by acquiring the commercial Titan launcher program of the New Jersey-based Space Transportation Company. The new concern, Fedex Spacetran, has immediate plans to seek contracts for launching Intelsat spacecraft. Other of its long-range plans may include launch and marketing services for both reusable and expendable launch vehicles, as well as financial and insurance programs for space transporters.

Express service to the moon, anyone?

CABLE NEWS FROM BRITAIN

The British government in April made public its official policy on cable television. The Thatcher government's long-awaited "white paper" by no means opens up a free market in cable, but it shows more respect for a free cable market than we've seen this side of the Atlantic.

Perhaps most laudable is the conspicuous lack of exclusive franchises. A national office—rather than the various local governments—will grant franchises (initially limited to a dozen or so), and more than one franchise may be granted in the same geographical area. The resulting possibilities for competition among cable companies could prove a boon to their customers.

The policy statement allows cable companies to schedule programming without securing prior state permission, unlike conventional broadcasters. Cable operators are not generally obligated to provide balanced programming—as are the conventional broadcasters—though operators are expected to schedule a "proper proportion" of British shows. (In addition, pornography and excessive violence are off-limits to cable programmers.) And cable operators may air commercials with less regulation than broadcast TV. Specific requirements on technology and systems are few, although companies are required to use a more-expensive configuration in laying down the cable network in order to allow for future accommodation of advanced telecommunications.

The move toward a market falters with a provision prohibiting cable companies from offering data- and voice-communication services (with only a few limited exceptions). This is to ensure the state British Telecommunications and its token private "competitor," Mercury, exclusive access to this lucrative communications market. (Mercury and BT, on the other hand, may enter the cable-TV business without undue restriction!)

The British cable policy is certainly no great triumph of the free market. But in light of the highly regulated television industries common to nearly all of Western Europe, the British policy isn't as bad as it might have been.

VOUCHER PLAN EARNS CREDIT

Early next year, the Minnesota legislature will vote on a bill to implement a statewide education voucher system for low-income families. Under the plan, the dollar amount of a voucher would be determined by several factors, including the student's grade level and his family's income and welfare dependence. A grade-school student, for example, whose low-income family does not receive benefits under the federal Aid to Families with Dependent Children program would get a voucher for $1,475 (the state's average per pupil cost). A high-school student whose family does receive AFDC benefits could get a voucher for double that amount. The voucher could be used to attend any public or private school in the state.

Though the state's two teachers organizations—the Minnesota Federation of Teachers and the Minnesota Education Association—oppose the voucher plan, the Minneapolis Urban League has endorsed it. Gleason Glover, MUL president, agrees that vouchers would give more choice of education to the children of low-income families.

The bill's sponsor, state representative John Brandl, told REASON that the participation of both public and private schools in the voucher program would be voluntary. Schools, too, would determine their own quotas for voucher students. But, Brandl said, participating public schools would have to accept the voucher as full payment for the student, and private schools would get only 80 percent of the full voucher amount. In addition, once a school had decided to participate, it could not place any further acceptance criteria on voucher students—including, even, academic or achievement standards.

Family income levels determining eli-

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Public Services for *Less* Money?

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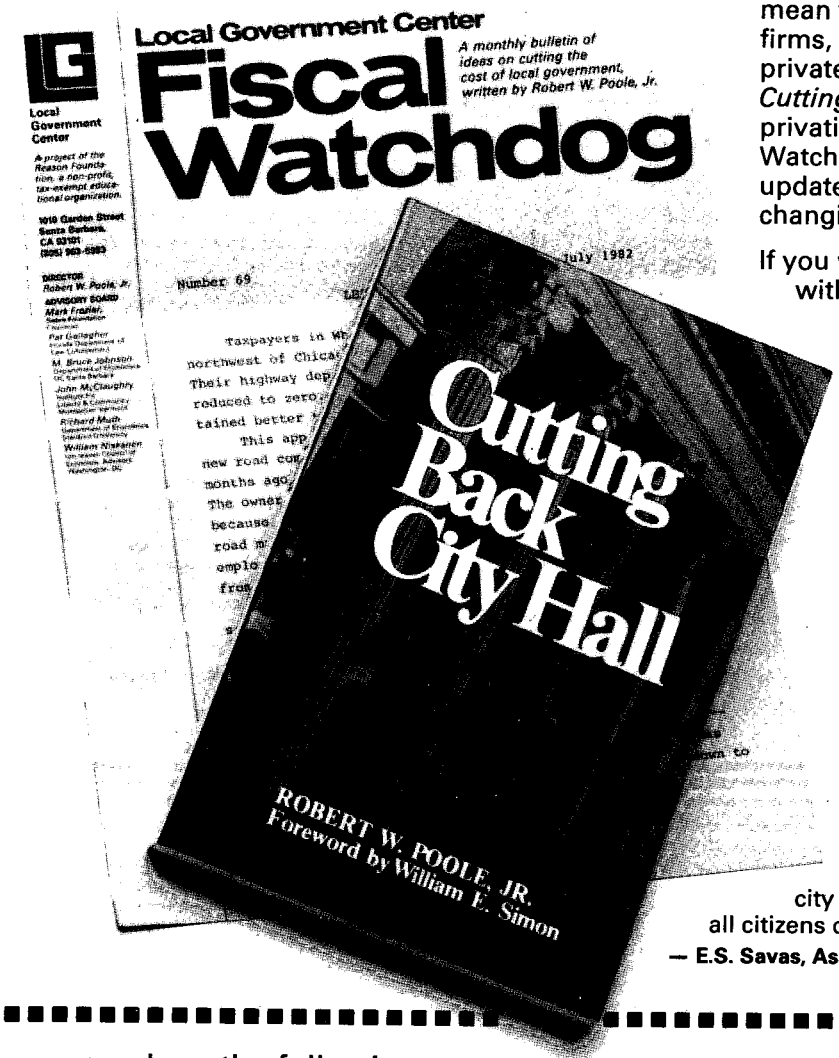
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July 1982
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Foreword by William E. Simon

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gibility for the vouchers would be the same as those for the state's school-lunch program. According to Brandl, the number of students now eligible for the voucher program is around 123,000, or about 15-20 percent of the state's total student population.

Conservative support for the voucher bill appears strong, and Brandl, a Democrat, hopes the bill's focus on low-income families will persuade liberals to go along with the plan as well. Hearings on the bill within the legislature will begin in the fall.

INFRASTRUCTURE ISSUE IN RUINS

The great journalist A. J. Liebling once wrote that news stories are like schools of fish—without notice, they suddenly swim to shore then just as suddenly depart. So with political fashions.

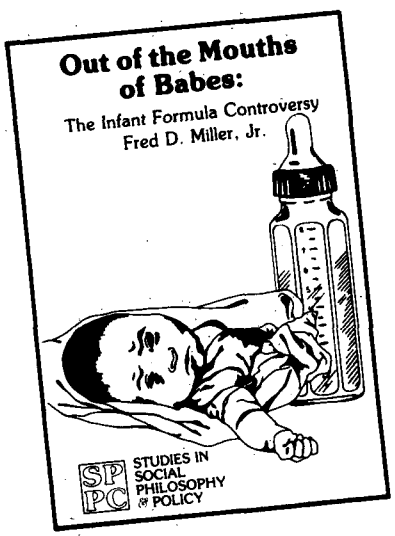
One apparently departing political fashion is the crumbling-infrastructure issue. A few months ago, every respectable establishment newsweekly was issuing dire warnings that unless the government (a euphemism in these instances for the taxpayers) spent trillions of dollars, America's bridges, sewers, and highways would crumble, the nation collapsing along with them.

But fashion's passions are nothing if not short-lived. A report issued in late April by the US Conference of Mayors and the National League of Cities has concluded that the costs of repairing and maintaining the infrastructure are now suddenly "manageable." The report, based on a survey of 809 cities, concluded that "relatively small" amounts of assistance in the $1-$5 million range "would pay for most of the privately contracted, high-priority projects in the majority of cities." "This finding should end any charges that urban infrastructure funding would mean massive patronage and public hiring or distortions in the balance between public and private employment," the report said.

It is interesting that a report with such modest conclusions as these would be issued by an interest group—confederations of city governments—that could hardly be expected to minimize needs for government spending. It is also interesting that the report signified a growing acceptance of private contracting. Alan Beal, executive director of the League of Cities, said that most of the city governments surveyed indicated that they would use private contractors to do the work and could finance a significant portion of their projects from local revenues.

A few days after the survey was released, the Congressional Budget Office issued a report on policy considerations for public-works infrastructure. Like all CBO reports, it steered clear of making any formal recommendations to Congress, but it discussed user fees extensively. It pointed out that "most user fees are set well below levels that would recover all the federal government's costs." Highways and airports are an exception, but "even in these two programs, some users—notably, operators of heavy trucks and private planes—pay less than their share of federal outlays, while other users. . .make up the difference by paying fees that recover more than their share of the costs."

The problems that result from undercharging and thus subsidizing users are familiar to REASON readers. "By stimulating demand," the report said, "subsidies can lead to exaggerated perceptions of infrastructure expansion needs. Overstated demand promotes unneeded



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new construction."

The report also questioned the old chestnut about infrastructure subsidies invariably helping the needy. "Household expenditure on mass transit, which the federal government subsidizes heavily, is concentrated in the upper-income groups," the report said. "The subsidy for urban transit tends to shift income to high-income households."

The report, entitled *Public Works Infrastructure: Policy Considerations for the 1980s*, takes a hard look at such areas as water resources, air traffic control, airports, and municipal water supply and is surprisingly reliant in its analysis on free-market principles. Because the Congressional Budget Office, like its 535 employers, has rarely been a bastion of free-market thinking, this is a welcome development.

COMING TO THE SELF-DEFENSE OF EUROPE

What would it take for the member-nations of the European Economic Community (EEC) to defend themselves—without the massive financial and personnel assistance of the United States (which costs American taxpayers about $130 billion a year)? Researchers at five major European think tanks on international affairs recently provided some answers to that question.

To make up for withdrawn American troops, the EEC nations would have to expand their ground forces by 300,000; to match the Warsaw Pact's forces, 500,000 more troops would have to be added. Moreover, the researchers concluded, the Europeans would have to develop a nuclear strike force. Britain and France, they suggested, might develop their nuclear weapons to protect all of Western Europe if the other nations would share in the cost.

Though the thinkers finally discounted the notion of self-defense without American aid—the cost would be too great, they said, and the international unity necessary to achieve this end might not materialize—that the question was seriously posed and considered is itself significant. Ever since NATO was formed, the EEC has kept itself out of the defense arena.

And the researchers *did* advance several reasons why the Common Market nations should develop a defense apart from the United States. They suggested, for example, that Europe's heavy reliance on the Mideast for oil gives it a strong interest in maintaining stability there. Moreover, European nations may now show too little concern for defense because of US military dominance of NATO.

The think-tank dialogue is only part of a wider and growing debate among Europeans over the issue of a defense independent of the United States. Indeed, the Italian, French, and West German governments are attentively studying the possibility of a strictly European defense policy and system.

Late last year, debate began within the Western European Union—a defense group of seven nations—over a French proposal that the union start developing its own supertank and combat aircraft (including a combat helicopter). The French also urged development of a nuclear force independent of US involvement.

So serious is the French government's doubt about the reliability of American defense in the event of a Soviet attack on Western Europe that it has announced independent plans to beef up the nation's defense forces. Included in the plan is the addition of a seventh nuclear-armed submarine, plus investment in nuclear air-to-ground missiles, an MX-like mobile missile system, and a tactical missile force able to penetrate the Eastern bloc.

Ironically, though much of the current self-defense discussion is fueled by European worry over American reliability, many observers fear that the debate will add further credibility to arguments against US subsidization of Europe's defense. With some luck, perhaps, those fears will prove to have been fully grounded.

SLUGGISH FDA NEEDS PICK-ME-UP

The Food and Drug Administration (FDA) should perhaps prescribe itself a wake-up tonic to help it keep up with the changing times. Drug manufacturers have for some time been interested in advertising their prescription products directly to consumers, but most have refrained, preferring to wait for the FDA to develop a policy on the issue. Such is the regulatory giant's immobility, however, that it hasn't yet set any policy. And that makes most companies hesitate.

WHY BANK WITH THE SOVIETS?

It's a matter of public knowledge that American banks lend money to the Soviet Union and its puppet states of Eastern Europe – even the U.S. government lends to the Soviets. Thus, while the Soviets promote barbarism around the world with U.S. money, the U.S. government – with money borrowed from U.S. banks – builds weapons to protect us from the Soviets.

In this way do the Soviets serve as a front for U.S. banks.

If you detect a bit of insanity therein, you are right; what's more, insult is added to insanity since it's done with your money – whether you approve or not.

If you don't like the Soviet Bankers (more commonly known as American banks) lending your money to the Soviets, send fifteen U.S. first-class stamps (or one U.S. silver quarter) to us and we'll explain more and tell you about an alternative to the Soviet Bankers.

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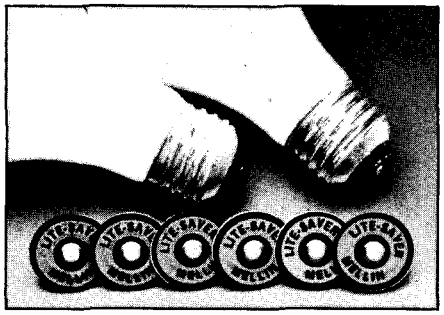
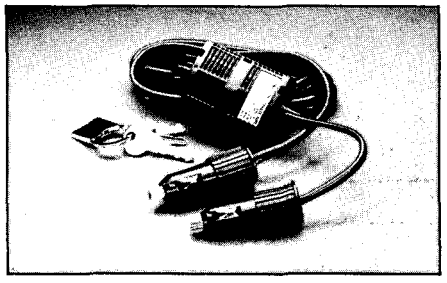
LIGHT SAVERS



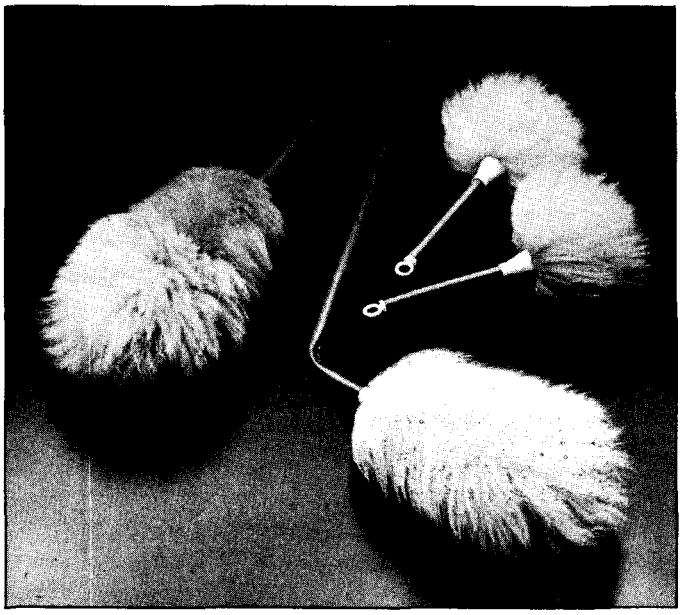
If you're tired of climbing ladders and getting into precarious (often dangerous) positions to change an out of the way light bulb, then you should know about Light-Savers. Adhered to the base of any *one way* bulb the Light-Savers can extend bulb life from 50 to 100 times! Just think of the money saved in light bulbs! Most bulbs have a rated life of 750 hours or 32 days if used continuously. With Light-Savers your bulbs will burn up to 75,000 hours or about eight years if used 24 hours a day. Light-Savers reduce light output so you may want to increase bulb wattage. They're safe, dependable and install quickly and easily with any one way bulb. The manufacturer offers a limited eight year warranty. We offer a package of 6 for **$12.00** ($1.95) #A830, 12 for **$20.00** ($2.95) #A831 or 24 for **$39.00** ($3.95) #A832.

EASY CHARGE



How would you like to recharge your car battery without ever opening the hood? Sound impossible? It's not, thanks to the Easy Charge. With traditional jumper cables you have to maneuver a second car fender-to-fender with the disabled car, open both hoods, and attach leads from battery to battery. The Easy Charge simplifies this process brilliantly by substituting connection from cigarette lighter to cigarette lighter. Just plug one end into the lighter of a running car, pass the 16' cord through both car windows and insert the other end in the lighter of the disabled car. After a few minutes' wait the battery is recharged sufficiently to restart the car. The Easy Charge costs **$20.00** ($2.95) #A629. Two for **$37.00** ($3.95) #A6292.

DUST-MAGNETS™



If we ever compile a book on *The Old Ways That Were Better Ways,* we will certainly include a chapter on lambswool dusters. On its own lambswool actually attracts and holds dust like a magnet. The static charge in the wool causes dust literally to leap off surfaces where it has accumulated, making these dusters just the thing for dusting bric-a-brac, china, crystal, pictures and other fragile items. Recently we were introduced to two exciting new versions of our old time favorite, the mini-duster and the bent-handled duster. The standard 27" long duster costs **$7.00** ($1.95) #A780; the bent-handled model is **$8.00** ($1.95) #A781; two mini-dusters cost **$8.00** ($1.95) #A794. We can send you the entire group, a total of four dusters, for just **$16.00** ($2.95) #A783.

BUG ZAPPER

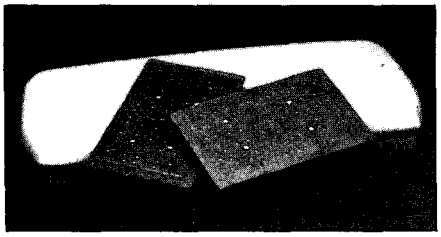
Electric bugkillers all operate on the same basic principle — fluorescent blacklight attracts bugs into an electrically charged grid where they are electrocuted. These backyard bugkillers are notable in several respects: all-steel construction (no cheesy plastic housings); large area grids (for dispatching a higher proportion of the bugs attracted to the light); quiet operation (fewer of the disconcerting snaps and pops); easy disassembly (for cleaning and bulb replacement). We looked at many different bugkillers and found, in terms of construction and insect clearing distances, these to be a superior value. The Model 75 attracts insects from 80-100 feet, clears approximately ¾ acre, and costs **$99.00** ($9.95) #A826. The Model 100 uses two bulbs, attracts up to 130 feet, clears up to 1¼ acres, and costs **$115.00** ($9.95) #A825. Bulb life is one full season and replacement bulbs can be ordered by mail. These bugkillers are completely weatherproof and UL-listed. They operate on normal household current.

ONE INCREDIBLE CLEANER

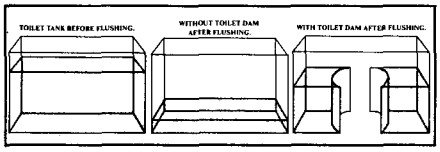
Simple Green is an oven cleaner. Bathroom cleaner. Window cleaner. Floor cleaner. Stain remover. Laundry pre-soak. Upholstery cleaner. Rug cleaner. Leather and vinyl cleaner. Simple Green is non-abrasive, non-caustic, low-phosphate and biodegradable. It has no bleach, ammonia or petroleum. It is approved by U.S.D.A. This industrial strength cleaner is used in restaurants, car washes, hospitals, airlines and oil rigs. We are pleased to be one of the first to offer Simple Green nationally. Technically, Simple Green is a blend of synthetic penetrants that emulsify and suspend oil for cold-water rinse. It can be used on anything you use cold water on. We can send two 16 oz. spray bottles of Simple Green for **$9.00** ($2.95) #A698; two 16 oz. bottles plus a natural ocean sponge for **$12.00** ($2.95) #A828 or one gallon plus an ocean sponge for **$21.00** ($3.95) #A827.

TOOLS FOR LIVING®

TOILET SANITY

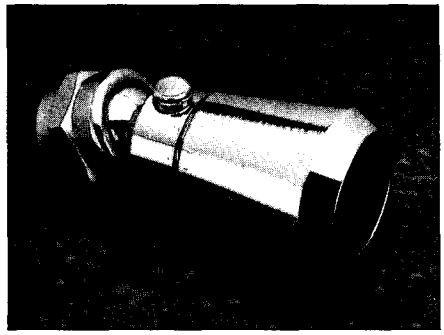


A government study shows that 45% of the water used by the average American family gets flushed down the toilet. That is 90 gal. per day for the family of four. The conventional flush toilet uses 5 to 8 gal. of clean fresh water each flush, when 2.5 to 3 gal. is sufficient. What can we do about this insanity? Use toilet dams. Putting a dam in the tank saves ⅛ to ½ the flush without reducing the toilet's effectiveness. (It doesn't reduce the *pressure* of the flush, just the amount of water used.) Putting dams in all your toilets could cut your overall water use (and bill) up to 20%. For **$11.00** ($1.95) #A259, we can supply first-quality toilet dam units made of stainless steel and thermoplastic rubber. It comes with a 5-year limited warranty and requires no tools (or special effort) to install.

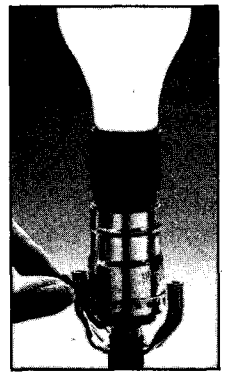


SAVINGS IN THE SHOWER

This finely crafted shower head called the Deluxe Fuel Saver, cuts the use of water — hot water — in the shower from 5 or 8 to 2.45 gallons per minute. With the conventional shower head, the average family of four uses 300 to 400 gallons of water — much of it heated — everyday. According to U.S. Department of Energy figures, with the Deluxe Fuel Saver that same family uses 70% less water in the shower and realizes a savings of between $150 and $350 depending on the utility rates. The Deluxe Fuel Saver also offers a "trickle valve" that allows you to stop water flow while soaping up. Made of chrome-plated solid brass, the Deluxe Fuel Saver is accompanied by a one-year limited warranty. It installs easily over the standard ½" shower arm with pliers or a wrench — no plumber is needed. We offer the Fuel Saver for **$14.00** ($2.95) #A800. Two for **$26.00** ($3.95) #A8002.



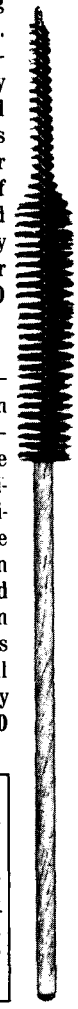
CONVERT-A-BULB



The Convert-A-Bulb allows you to use regular bulbs in all your 3-way lamps with no loss of function and it can save you $15 in the process! Here's how. Let's assume that you replace a 50-100-150 watt 3-way bulb with a regular 150-watt bulb using the Convert-A-Bulb. You now get the same amount of light at medium setting that you formerly had at the high setting — providing a savings of 27 watts per hour. The regular bulb at medium setting will last 6 times its rated life of 750 hours. At 7¢ per KWH for electricity that's a savings of $8.50. Plus, 3-way bulbs are usually rated at 1200 hours, so you would need four of them at $2.20 each, to outlast this one regular bulb, at $1.50. That's another $7.30 in savings for an overall windfall of $15.80! The Convert-A-Bulb is UL listed and available exclusively from us. Buy one for **$10.00** ($1.95) #A495; two for **$18.00** ($1.95) #A496 or three for **$26.00** ($2.95) #A497.

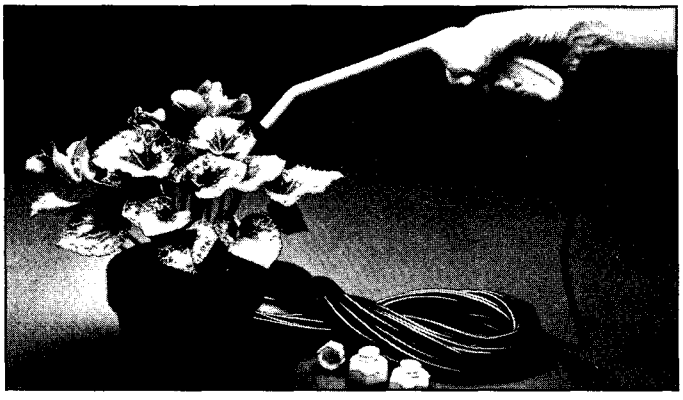
GIVING DUST THE BRUSH

Saving energy means paying attention to the small things around the house — like the refrigerator coils. Once these coils become coated with dust, the efficiency of your refrigerator drops dramatically. Simply cleaning the coils can reduce your refrigerator's electric consumption as much as 10%. This brush, angled and with tapered bristles, is designed to clean deep in the coils where vacuum cleaners and dust cloths won't reach. It is a full 27" long with 12" of bristles and a sturdy 15" wooden handle. It costs only **$8.00** ($1.95) #A427.



WATERING WHIZ

Do your houseplants run you ragged, back and forth, trip after trip, watering can in hand? There is an easier way: with an indoor garden hose you can water them all in a single trip. Think of the steps waiting to be saved! This 50' (that is a lot of reach) vinyl hose comes complete with a set of four adaptors that readily attach to most indoor and outdoor faucets. From there you just take the water where you want it, an easy-control handle allows you to turn a splashless stream of water on and off as needed. This indoor hose comes with a snap-in misting attachment, so after you water the roots you can spray the foliage and wash away the dust accumulation that impairs a plant's health as well as its beauty. The indoor garden hose kit costs just **$11.00** ($1.95) #A681. It will make your watering as simple as turning on the faucet. Two for **$19.00** ($2.95) #A6812.



*ORDERING INSTRUCTIONS AND GUARANTEE: We ship via United Parcel Service wherever possible to insure prompt delivery. The price of each item is shown followed by its shipping and handling charges in ( ). Be sure to add the item price **plus** shipping and handling charges for each item ordered to arrive at the **total price** of each item. If you are not satisfied for any reason, return the article to us within 30 days, and we'll exchange it or refund the cost, per your instructions.*

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Most—but not all. In May, Boots Pharmaceuticals, a British firm, launched a six-week trial series of television commercials over Florida TV to advertise Rufen, its anti-arthritis drug. The ads emphasize that Rufen is cheaper than the chemically identical Motrin, a product of Upjohn. The ads advise consumers to ask their doctors about Rufen. At the same time, Boots notified doctors and pharmacists of its TV ads through Mailgrams.

Other drug firms have engaged only in limited consumer-directed advertising, mostly through print ads. For example, Merck Sharp & Dohme ads for Pneumovax, a pneumonia vaccine, have appeared in *Reader's Digest*. Pfizer has run a series of "Healthcare" ads in *Time*, *Newsweek*, the *New York Times*, and the *Wall Street Journal*. And a Peoples Drug Stores full-page ad for Zovirax, a herpes treatment, appeared last year in the *Washington Post*.

Wanting time to study the issue, the FDA now urges drug firms to refrain from consumer advertising. But pressed by the reality of competition, the drug industry may simply decide it can't wait for the agency's administrative constipation to subside.

RISING TIDE FOR USER FEES

In harmony with its stated aim of instituting more user fees for government-funded services, the Reagan administration recently devised a plan to require users of new federal water projects—particularly dams—to pay more of their share of the costs of the projects. Especially in the arid West, the various users of federal water projects—mainly farmers, utilities and their customers, industries, and recreationalists—are heavily subsidized by taxpayers.

The White House plan would require municipal and industrial users to pay their full share of a new project's cost; farmers, 35 percent of their share; and recreationalists, half of their share. Currently, it is estimated that the federal government recovers less than 15 percent of the costs of dams and water-distribution systems.

The heavy subsidization of water throughout the West has led to many uneconomic uses that may well end if users are charged more. For example, California's Central Valley—naturally a desert and grassland area—has been turned into a major agricultural center by the massive California Aqueduct, which brings water from the north to central and southern portions of the state. There, the charge to farmers, who account for 85 percent of developed-water use in California, is little more than 1.5 percent of the water's actual marginal cost. Since 1948, federal subsidies to the region have totaled about $1 billion.

In contrast to California's extensive subsidization of water use, Arizona has moved to institute more-rational water pricing and less subsidization. Several years ago, the state government recognized an impending crisis: water users—the great majority of which were farmers growing crops in a desert—were drawing twice as much water from natural underground water reserves as was being replaced by nature. In 1980, then, state laws were changed to impose more fees on water users and to allow holders of water rights to sell those rights. The expected result of the upped fees and water-rights bidding is that the state's agricultural industry (now at $2 billion a year) will shrink while others—especially new high-tech businesses—will grow, as water becomes more available for an increased population.

Though the main areas of the Reagan administration's user-fee proposal could be implemented without congressional approval, Congress could pass laws to limit localities' and individual users' cost burden. But, even though Western local officials have historically resisted cost-sharing, they seem more resigned now than before to having to pick up more of projects' costs. Indeed, if the White House has its way, local users will have no choice but to pay up—the proposal would require them to contribute to a project's estimated cost up front before construction could begin.

MILESTONES

• *Regulator rolls box cars.* In May, against the strong objections of Interstate Commerce Commission Chairman Reese Taylor, a majority of ICC commissioners decided to uphold an earlier vote to deregulate railroad box-car shipping rates (except for nonferrous recyclable goods). The new ruling allows box-car operators to freely change their rates daily, including those for rental, storage, and return of equipment.

• *Spaced out satellites.* The Federal Communications Commission has okayed a plan to increase the number of domestic communications satellites in orbit. The increase is achieved by reducing the spacing between satellites in fixed orbit above the United States.

• *Catching-up act.* The Federal Home Loan Bank Board in April proposed allowing savings and loans to open branches and purchase associations in other states without federal regulatory restriction. If approved, the new policy would confirm an increasingly commonplace practice.

• *Saying farewell to welfare.* A recent study commissioned by the Reagan administration and conducted by the Research Triangle Institute of North Carolina found that when income-earning welfare recipients lose their welfare benefits, they generally don't quit their jobs to get back on the dole. The studies contradict the predictions of many critics of the Reagan-initiated welfare reforms that cut benefits to the so-called working poor.

• *Metals peddle.* In mid-May, all 620 California branches of Security Pacific National Bank started a new service—the retail sale of gold and silver. The bank, California's first major institution to retail the investment metals statewide, expects the service to attract many new accounts.

• *Spirited dispute.* A Coca-Cola subsidiary, Wine Spectrum, is challenging in court an order issued by California's Alcohol Beverage Control Department that the company abandon a cash-rebate offer promoting its wine. Wine Spectrum spokesman Rick Theis told REASON that California wine purchasers stand to recover more than $500,000 from this and other of the firm's scheduled rebates. The Coke subsidiary, which includes Taylor California Cellars, beat the federal Bureau of Alcohol, Tobacco and Firearms in two prior court battles.

• *Court axes paper taxes.* The Supreme Court ruled in March that it is a violation of the First Amendment for states to impose a special tax on newspapers or to give small papers more-favorable tax treatment than large ones, both attributes of a now-overturned Minnesota law.

• *Fighting indecent law.* A Utah group, Citizens for Everyone's Freedom, is going to the courts to challenge a new state law banning "indecent" programs from cable TV. Legislators viewed R-rated movies before voting on the law.

—ROBERT POOLE, JR.,
PAUL GORDON,
AND ERIC MARTI

How to Get Out of the Food Stamp Trap

The food stamp program is one of the government's largest—and probably the most abused—welfare programs. But private efforts point the way out of this costly response to hunger.

BY DAVID A. LIPS

Nearly 23 million people—more than one-tenth of the American public—currently receive food stamps. The US Department of Agriculture (USDA) estimates that another 9 million might be eligible. The program, administered by the USDA's Food and Nutrition Service, was large enough to consume some $11.1 billion in fiscal year 1982 (FY 82).

From the beginning, the food stamp program has been beset by serious structural problems. Their severity and profundity indicate that far more is necessary than cosmetic change. It is time to reassess the purposes of the program and to entertain a real alternative.

Rapid and spiraling growth has been a hallmark of the food stamp program. Since it went nationwide in 1965, its budget has increased 103 times in constant dollars. Program costs, which may climb to $12.8 billion for FY 83 if the Department of Agriculture gets its way, increased by 120 percent between 1972 and 1982 alone. And these figures don't even include all the unreimbursed administrative costs incurred by states and localities, which the USDA calculates totaled another $528 million in FY 82.

Considering the enormous scope of the food stamp program, it is instructive to recall a long-forgotten projection made in 1966 by Howard P. Davis, then the deputy administrator for the USDA's food programs. "Ultimately, when the program reaches maximum expansion," he said, "we've been figuring on 4.5 million people, covering about half the counties in the nation, and involving somewhere between $375 million and $400 million a year."

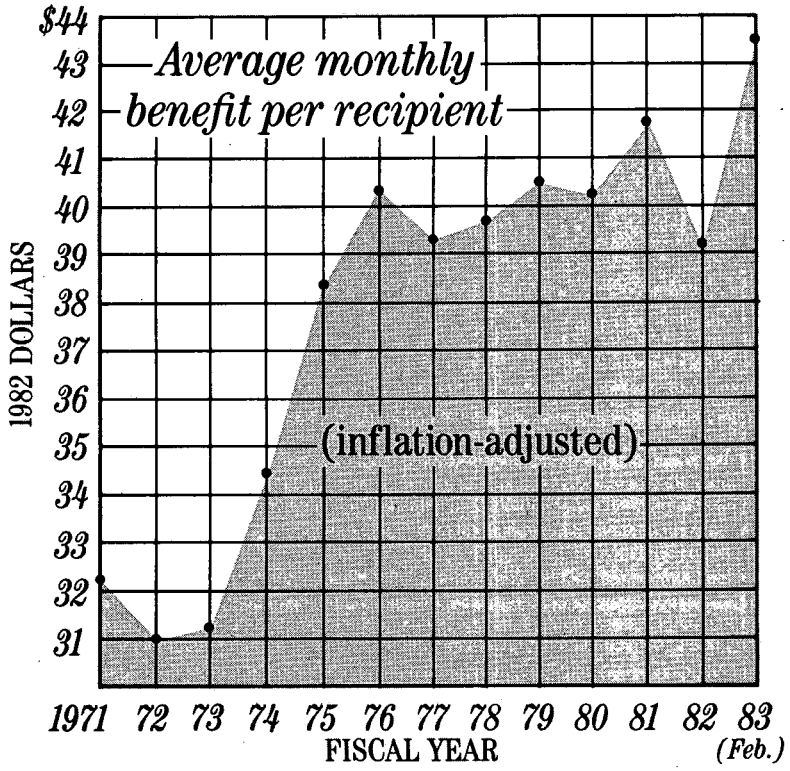
Clearly, the program was conceived of as a limited measure offering governmental relief in emergency situations. Instead, food stamps have become a permanent feature of the lives of many people as the program has ballooned.

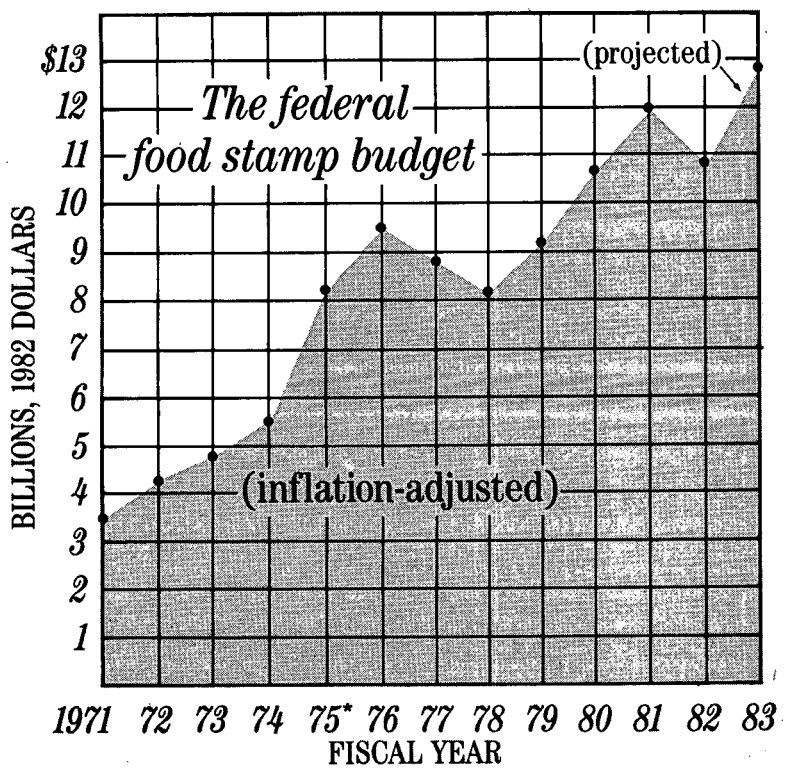
The irony of the modest prediction of 1966 is com-

Photograph by Joyce True

NSED
REPRO

The Insatiable Food Stamp Program





**In 1975 the USDA's surplus commodity distribution program was almost completely phased out and the food stamp program expanded correspondingly.*

pounded by the fact that, despite its already sizable budget, the food stamp program has frequently required funds far above spending ceilings established by Congress just to continue operating. In an effort to keep cost increases under control, in 1977 Congress passed legislation putting a ceiling on food stamp appropriations. But in 1978, the program saw a huge upsurge in the number of recipients, an upsurge that continued well into 1981. In FY 79 alone, the number rose from 15.3 million to 19.3 million, boosting program costs by about 25 percent and exhausting appropriated funds long before the end of the fiscal year. Congress allocated an additional $620 million for food stamps that year, and for several years the overriding of spending ceilings became an annual ritual. A cap of $6.19 billion for FY 80 was overridden, as was a cap of $6.24 billion for FY 81.

Instead of a limited program offering relief in emergency situations, food stamps have become a permanent feature of the lives of many people.

A frustrated Rep. Thomas Coleman (R-Mo.) complained, "The Agriculture Department claims that funds are running out because of the cap, but the real reason is that more people have been brought into the program without putting in cost-cutting requirements. At USDA, they're always going to reform tomorrow."

Ever-increasing cost is not the only problem. All welfare programs are subject to fraud and abuse, and food stamps have been no exception. In a 1975 speech, then-Treasury Secretary William Simon called the program a "well-known haven for chiselers and rip-off artists." He was roundly criticized for exaggeration, but Buffalo, New York, District Attorney Edward C. Cosgrove confirmed in 1977, "From what we hear from the streets, every conceivable way

of defrauding [the food stamp program] is going on."

Estimates of the portion of food stamps fraudulently obtained range as high as 30-35 percent. However, experts on the program, ranging from Maurice MacDonald of the University of Wisconsin's generally liberal Institute for Research on Poverty to Tom Boney of the generally conservative Senate Agriculture Committee staff, told REASON that the most reliable figures available are the Department of Agriculture's so-called error rates. The department's Food and Nutrition Service requires random audits of food-stamp applications and then issues semiannual reports on the percentages of food stamps issued erroneously by states. For the six-month period ending in September 1981, the national error rate of stamps overissued and issued to ineligible recipients was 9.75 percent—in other words, some $517 million in food stamps was issued wrongly during that time.

In addition to fraud and mismanagement, there have been anomalies in the normal operation of the food stamp program. For instance, until 1981—16 years into the program—workers who had gone on strike could obtain food stamps.

In labor negotiations, the effect of this taxpayer subsidy of voluntary unemployment was reportedly substantial. A 1970 auto workers' strike against General Motors cost between $10.7 and $14.3 million in food stamp benefits for workers on strike. And as one worker noted, "They can't starve us out now that we're getting food stamps. We can go on forever." Said another, "Food stamps are really helping out." A striking coal miner made the same point in an ABC interview: "As long as the government puts out food stamps and we can get them, we'll stay right out on strike."

The purposes of the program would seem to be distorted in other ways, as well. Department of Agriculture figures indicate that in August 1981, for instance, 10.2 percent of all households receiving food stamps had gross incomes above the poverty line. And this is not a violation of the law; recipients can have incomes as high as 30 percent above the poverty line. (The poverty line itself tends to exaggerate poverty because such "in-kind" transfers as public housing and Medicaid are ignored in calculating household income.) It's little wonder the USDA reports that 36 percent of food stamp recipients are homeowners.

Furthermore, food stamps need not be relegated to use in a grocery store. The elderly and disabled may use them to eat out in certain communal dining facilities. Stamps can be redeemed for meals served in drug and alcohol treatment centers. And in parts of Alaska they can be used to buy fishing and hunting equipment.

Outreach efforts, too, have sometimes been a perversion of the plan to provide temporary relief for the needy. Consider a 1980 advertisement in a New York subway. Two wealthy-looking women were pictured in a well-appointed apartment. The caption of the ad informed readers that they, too, could possibly qualify for food stamps.

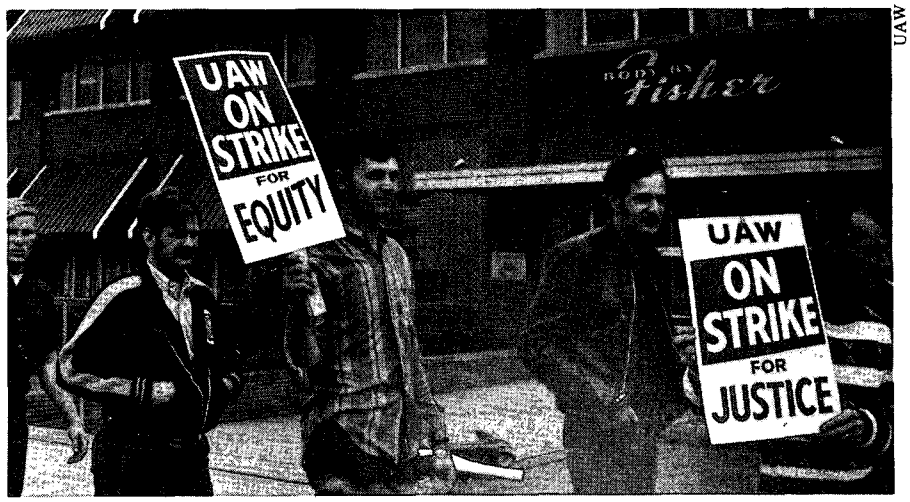
One of the most curious aspects of the food stamp program has been the paucity of firm evidence of its efficacy. In the 1964 Food Stamp Act, which gave birth to the current program, perhaps the primary stated objective was "to safeguard the health and well being of the nation's population and raise the levels of nutrition among low income families." But during the 1970s, while the program was mushrooming in size, report after report attested to the lack of evidence about its nutritional effects.

No restrictions were placed on food that can be bought with food stamps. (They cannot be used to purchase pet food, cigarettes, or alcoholic beverages, but food for human consumption is unrestricted.) "If [food stamp recipients] choose to buy Twinkies or Coca-Colas, so be it," Rep. Ronald V. Dellums (D-Calif.) once declared in response to critics of this aspect of the program. Nevertheless, nutritional improvement is one of the program's important goals.

In 1975 a National Academy of Sciences report noted of food programs in general:

Little or no effective evaluation of the impact of these programs on the nutritional well-being of the target groups has been carried out. . . . There is little information with which to evaluate the continuing value of these programs. . . . How effective in improving the nutritional standard of the recipients are food stamps and other food supplement programs or the international food programs? This information is woefully lacking.

"As long as the government puts out food stamps and we can get them," said a striking coal miner, "we'll stay right out on strike."



UAW

Picketers during the 1970 UAW strike against General Motors, which cost at least $10 million in food stamp benefits.

Maurice MacDonald of the Institute for Research on Poverty drew the similar conclusion in 1977 that "existing evidence on the nutritional effects of the Food Stamps program . . . is sketchy."

In 1978 a study on the relationship of food stamps to nutrition was completed by Donald West, then an agricultural economics professor at Washington State University and now with the Department of Agriculture. West's

study, based on data recorded in 1972 and 1973, compared the food-buying habits of food stamp program participants and eligible nonparticipants.

Did the households receiving stamps buy more nutritious food than the other low-income households? West found no significant difference. He reported that nonparticipating households spent more on food eaten away from home, but participants and eligible nonparticipants allocated "quite similar" percentages of their food-at-home expenditures to the important food groups.

Two subsequent studies, both conducted by the USDA's Human Nutrition Information Service, did find a positive difference in the nutritive value of stamp recipients' diets. For the first study, researchers in 1977 and 1978 analyzed the diets of 4,400 low-income households, including both stamp recipients and nonrecipients, to determine how many were getting all of the recommended daily allowances for 11 nutrients. The researchers found that 38 percent of the households not receiving stamps were meeting that standard, while 48 pecent of households receiving stamps were. A similar study in 1980 surveying 2,900 households found that 34 percent and 46 percent, respectively, were getting all of the recommended daily allowances of 11 nutrients.

While the program was mushrooming in size, report after report attested to the lack of evidence about the program's nutritional effects.

What is not shown by the USDA studies, however, is that food stamps were responsible for the higher nutritive content of the recipients' diet. It's possible—maybe probable—that the higher nutrition levels were *not* due to the food stamps but rather to the households themselves, to a strong interest in healthy food and diet that was not such a high priority for the low-income households who were eligible but not receiving food stamps.

Practically speaking, the nutritional effects of the food stamp program are still not established. Maurice MacDonald recently told REASON that it would be difficult for any researchers actually to determine these effects.

While there are serious unanswered questions about the nutritional effects of the food stamp program for the recipients, there is little doubt about the program's effects on the pocketbooks of one of the nation's most powerful political interest groups—farmers. From the time the program started, the farm lobby in Washington has been one of the biggest boosters of food stamps.

The logic of their support is simple enough. As Ruth Kobell, a legislative assistant for the National Farmers Union, explained to REASON: "We assume that farmers need their produce consumed. When people don't have money to buy it, we think that programs like food stamps that help them buy food are in the national interest.... The food stamp program is a [lobbying] priority for us."

Indeed, the farm interests' stake in the program is even larger than what might appear at first glance, for two reasons that were pointed out by Kobell last March 25 in testimony to a House domestic marketing subcommittee. First, she noted that the food stamp program is "important to farmers in providing a market for many products on which there are not direct farm stabilization measures. About half of the food stamp expenditures go for commodities which have no direct Commodity Credit Corporation support mechanisms."

Second, "farmers are now receiving about 37 cents of the [typical] consumer's food dollar on average, but they tend to receive up to 60 percent of the food dollar for such food classifications [as are bought more frequently by food stamp recipients] because there are less processing costs involved."

It's no wonder that delegates to the National Farmers Union convention last winter adopted a resolution stating, "We believe all who are eligible are entitled to participate in the Food Stamp Program and that Congress should remove the 'cap' on funding." Nor is it any wonder that two of the food stamp program's most ardent champions in Congress have been Sen. Robert Dole (R-Kans.) and ex-Sen. George McGovern (D-S.D.), a mainstream Republican and liberal Democrat who agreed on little else. As *Dun's Review* noted, about the only thing Dole and McGovern had "in common [was] the sweeping wheat fields of their respective states." Since McGovern's 1980 defeat for reelection, other Farm Belt senators such as Mark Andrews (R-N.D.) have taken up some of the slack left by McGovern's absence.

A Bushelful of Costs

Who Pays for the Government's Agricultural Policies?

COMMODITY	ANNUAL PERCENTAGE INCREASE IN FOOD PRICE	TOTAL ANNUAL COST TO CONSUMERS (IN BILLIONS)
Wheat	*17.5%*	*$0.4*
Corn, barley, and grain sorghum	*6.0*	*0.7*
Sugar	*88.0*	*1.4*
Peanuts	*40.0*	*0.2*
Cattle	*3.5*	*1.2*
Milk	*11.0*	*1.5*
		$5.4

Source: Bruce Gardner, The Governing of Agriculture *(Lawrence, Kans.: Regents Press, 1981). Gardner estimated these costs to the consumer from data gathered for the years 1978 and 1979.*

Meanwhile, as agricultural interests benefit from a food stamp program designed to help low-income Americans, those Americans are disproportionately the victims of government agricultural policies whose explicit purpose is to keep food prices higher than they would otherwise be. Clearly, if the government wants to help low-income people to be able to afford food, one of the most significant things it

could do is end its intervention in the agricultural sector of the economy.

That intervention takes numerous forms. The government pays farmers *not* to plant crops, so that "too much" food will not be produced, forcing prices "too low." The government maintains price supports for a whole range of agricultural products, guaranteeing that it will buy what is produced but cannot be sold at or above the support price. The government, alternatively, makes "deficiency payments" to farmers, covering the difference if the market price is lower than a "parity price." The government enforces agricultural producers' market-

From the time the program started, the farm lobby in Washington has been one of the biggest boosters of food stamps.

ing orders, whereby farmers agree to restrict the quantity of foods they will sell in order to keep the prices higher. The government also limits food imports to protect US farmers from foreign competition.

For some of these programs, taxpayers foot a bill that runs into the billions annually. And as food consumers, taxpayers pay again through higher prices—which is the purpose of all of these programs. Economist Bruce Gardner reported in his recent book *The Governing of Agriculture* his estimate of the cost to consumers of some major agricultural programs. In 1978 and 1979, he found, consumers paid nearly $5.5 billion more for food annually as a result of these programs (see table, page 28). This does not include the effect on prices of marketing orders that cover a wide range of fresh fruits, nuts, and other farm products. (Nor does it include the direct cost to taxpayers of various payments to farmers.)

Because poorer people spend a relatively large percentage of their income on food, the government's agricultural policies act as a powerfully regressive tax, or an income redistribution program. As Stephen Chapman recently

Food and Nutrition Service/USDA

Applicants receive cheese from the Department of Agriculture's surplus commodity food distribution program. Early this year, the government had on hand nearly 13 billion pounds of dairy products.

wrote in *Harper's*, "it is not an exaggeration to say that, under the price support system, slum children in Harlem go without milk so that dairy farmers in Wisconsin may prosper."

Consider, for example, the USDA Commodity Credit Corporation's purchase of "surplus" agricultural commodities. In early 1983, the CCC had on hand a horde of 11.4 billion pounds of nonfat dry milk. This is enough to provide the recommended daily amount of milk—according to the USDA's own *Daily Food Guide*—for a whole year for more than 39 million adults (that's about 7 million more than the total number of Americans that the Census Bureau says were living below the poverty line in 1981).

Among the other commodities owned by the USDA at the end of February were 1.5 billion pounds of other dairy products, 184.6 million bushels of wheat, 1.8 billion pounds of rice, and equally impressive amounts of honey, rye, oats, corn, sorghum, and other commodities. The storage costs alone for these commodities are staggering. They vary with the size of the inventory, but Barry Klein of the USDA estimated that for its mid-April holdings, the storage costs for grains were $700,000 *daily* and for dairy products, $163,500.

Even the amount of food lost to spoilage and partial spoilage is enormous. Some government-owned cheese and nonfat dry milk are kept so long that they are "downgraded" (designated as unfit for human consumption). A high official of the USDA's Kansas City field office who asked to remain anonymous told REASON that the downgraded milk is usually then sold as animal feed. In a seven-month period last year, almost 39 million pounds of nonfat dry milk were downgraded.

Incongruous as it may seem, it would be considerably cheaper in the long run

Low-income Americans are the victims of government agricultural policies whose explicit purpose is to keep food prices high.

for the government simply to give away many commodities than to store them indefinitely. (For example, an official of the USDA's Dairy Division estimates that distributing dairy products is less expensive than storing them for two years.) Sen. Robert Dole (R-Kans.) sponsored an amendment to the jobs bill last March authorizing $100 million for processing and distributing of $1 billion worth of

Greater Chicago Food Depository

Helpers unload food at the Greater Chicago Food Depository, one of the 45 members of Second Harvest's food bank network.

surplus food, with at least one-tenth of the funds going to food banks and charitable institutions for reimbursement for handling costs. The Dole proposal was considerably diluted by the time of passage, but it has resulted in the Department of Agriculture designating 9 million pounds of grains and flour and 5 million pounds of nonfat dry milk for distribution in each remaining month of FY 83.

If the government were to do away with the current tangle of agricultural price supports and subsidies, there's little question that a freer market would drive down food prices for the consumer and hence dramatically lower food costs to an affordable level for many people who now depend on food stamps. Drastic reform of the government's agricultural policies could conceivably *eliminate* the perceived need for food stamps as general support for low-income households. That the food stamp program was not so conceived at its inception is evident from the early estimates of the limited number of people who would receive stamps. At ever-increasing costs to the taxpayer, and with agriculture and the welfare bureaucracy building up an ever-greater vested interest in the program, food stamps have come to play a far larger role than tiding people over temporary emergencies and assisting those on the very bottom rung of the economic ladder.

"Social entrepreneurs" have developed an innovative approach to expand the ability of charities to help the poor—food banks.

One of the results of the food stamp program having grown so large is that people find it difficult to contemplate its elimination, whatever their objections because of the extent of fraud in the program or its costliness to the taxpayer. In fact, however, various sorts of existing organizations suggest the real potential of voluntary, private mechanisms for dealing with the needs originally addressed by the food stamp program.

Consumer cooperatives provide one alternative. The membership of most consumer food co-ops is predominantly middle-class. Co-ops need to be capital-

A loading dock at a Nashville food bank, another member of Second Harvest.

Second Harvest Food Bank

ized by their members, and people barely eking out a living rarely have extra funds for capitalizing a business of any kind. In addition, according to an official of the Washington-based Cooperative League of the USA, food prices in co-ops are frequently as high as—if not higher than—supermarket prices.

But there are important exceptions to the rule. Some food co-ops do serve low-income people, offering food at below-market prices. One of the largest and best-known of these co-ops is the Self-Help Action Center on Chicago's South Side. Two signs of its success are its membership roll of more than 25,000 and the low cost of the food and groceries it offers. Rob Brown, Self-Help's marketing director, told REASON that a comparison last March of Self-Help's prices with prices in six conventional supermarkets nearby indicated that shoppers could realize substantial savings on their food bills (more than 60 percent for several items) at Self-Help.

Self-Help's operation is very different from that of a typical grocery store. For one thing, Self-Help obtains food directly from wholesalers and farmers in Illinois, Michigan, Indiana, Arkansas, and Florida and passes its savings on to its members. For another, the organization is staffed largely by volunteers (executive director and cofounder Dorothy Shavers told REASON that in May, Self-Help had only four people on its payroll but also had 34 volunteers whose maximum compensation was $5 a day for coffee, lunch, and subway fare). Another big difference between Self-Help and conventional supermarkets is that when food is unattractive or missing a label, most supermarkets will throw it out—but so long as the food itself is fresh and nutritious, Self-Help will sell it.

Self-Help has had its share of problems. According to the *Chicago Sun-Times*, the co-op has had a few break-ins that almost forced it to close up shop, and they had "explosively mushrooming" problems, as Shavers put it, when Self-Help offered to serve without compensation as a center for the government's cheese distribution program some months ago (many of the headaches were a result of uncertainties in the delivery of the cheese and butter). Even so, the *Sun-Times* said that Shavers "has done a wonderful job helping feed needy people."

Another alternative to government assistance is food buying clubs, which have burgeoned all over the country. Unlike cooperatives, which operate as businesses, buying clubs are usually just a group of people who save on their food bills by buying food jointly from wholesalers.

A good example of an extensive and sophisticated buying club is the Mission Hill Food Cooperative in Boston. Its membership is not confined to low-income people, but they are an estimated 40 percent of an organization that includes people from all social and economic levels of the city. As coordinator Mary Linn Borsman says, "People join whether they're from [blue-collar] Dorchester or [middle-class] Brookline"—and they save an estimated 20 to 30 percent on food bills.

Strictly speaking, Mission Hill Food Cooperative is perhaps a misnomer. Although the organization is certainly a network of cooperation for mutual benefit, it is less a cooperative than a confederation of buying clubs, called "blocks." Each block is made up of about 10 to 20 families who fill out food orders on a printed list every week, collate their orders into a larger block order, then deliver it on Monday night to Mission Hill. At the Mission Hill headquarters, the block orders are combined and a handful of volunteer buyers fan out across the Boston area to purchase food in bulk. They bring the foodstuffs back to Mission Hill, and on Wednesday or Thursday, each block sends a representative to pick up the block's portion of the food for distribution.

The incentive of private agencies is to help people get back to self-reliance, so that the agencies can help others.

An advantage of Mission Hill's preorder system, according to Borsman, is that it permits Mission Hill to run with a far smaller staff than a fully stocked store would require. (In fact, the only paid employees are Borsman herself and a part-time bookkeeper; everyone else who works with Mission Hill is a volunteer.) Moreover, Mission Hill loses little money on wasted or spoiled food, and it doesn't incur the overhead costs of large physical facilities and stocking a full inventory.

When Mission Hill began operating some 13 years ago, "we weren't started with CETA workers or Community Development money," Borsman recalls. Since then, the co-op has received government assistance only once—the state government gave them a grant of $350 six years ago that went for a walk-in cooler. "I feel skeptical of government assistance programs for a co-op," Borsman says. "For the commitment that a co-op needs to survive, you don't go to a government for money. If the community itself actually generates the co-op, it will run because of the efforts of the people who are involved in it."

Yet another voluntary alternative to food stamps is private charity. For example, a program run by St. Patrick's parish in Arvada, Colorado, provides food to an average of about 40 families a month, with home delivery. The volunteer who delivers the food also speaks with household members to determine whether help is needed to defray other expenses, such as utility bills, that the family is having difficulty meeting.

The weekly boxes of food provided by St. Patrick's include items ranging from barley cereal and pinto beans to applesauce and bread. The amount of food in the box corresponds to the size of the recipient family, and baby food is available when needed.

Ellen Porres Heath, the director of the program, told REASON that its purpose is not to provide for people per se but "to help them out until they get on their feet." And this, of course, is a significant difference between private charity and government welfare. The incentive of private agencies is to help people get through an emergency and back to self-reliance, so that the agencies can use their resources to help others. Government, on the other hand, has a powerful political incentive to expand the ranks of the welfare-dependent and not to help them become independent—the power of a bureaucracy increases as its budget grows, and the politicians who approve the growing budgets are building a growing constituency.

An unconventional but extremely effective charity that celebrates its 50th anniversary this year is the Catholic Worker movement. In 1933, Catholic anarchists Dorothy Day and Peter Maurin started their first "house of

hospitality" in New York City to provide food, shelter, used clothing, and, as one account put it, "a listening ear to the unemployed and down-and-out of the inner city." Since then, some 50 Catholic Worker communities have been formed around the country with the twin goals, says Jonathan Parfrey of the Catholic Worker community in Los Angeles, "of performing acts of mercy and getting involved in social and political change."

The Los Angeles community, like its counterparts in other cities, is involved in a wide range of charitable and political projects, including a medical clinic and legal services for residents of the city's skid-row area, a bakery, a children's playground, two large houses for people needing emergency shelter, a newspaper, and sponsorship of opposition to military contractors like North American Rockwell and government deportation of Salvadoran refugees.

But one of its largest and most important activities is providing food for poor people. This is done through a food kitchen that provides free meals and through a food distribution center near downtown Los Angeles (operated with the Missionary Brothers of Charity) that provides free sacks of groceries for families, scaled to their size and economic needs.

In acquiring food for the kitchen and distribution center, the community's members have shown considerable ingenuity. For example, according to Parfrey, "We go to the central produce terminal in Los Angeles and get crates of food that are about to be red-tagged. That means that part of it is rotten, but a lot of it is often perfectly good food. It's not cost-effective for the growers to go through the crates and rebag the good food, so we go through the crates and save the good parts. It supplies us with a lot of edible food that would be going to waste otherwise."

Besides the food from the produce terminal, the Catholic Workers receive some food as in-kind donations. For example, the local Oscar Mayer's meat-processing plant donates turkey wings, and whenever two local hospitals cook too much food in a day, says Parfrey, "they put it on ice and we give it out."

Central to the Catholic Worker movement is a deep suspicion of government and centralized power. Parfrey says that its founders were influenced by the Bible and the mutual-aid concepts of the Russian anarchist Peter Kropotkin, so most if not all Catholic Worker communities do not accept any government money and even refuse to apply to the IRS for tax-exempt status. "Gifts to our work are not tax-deductible," says its Los Angeles newspaper. "We are convinced that justice and works of mercy should be acts of conscience which come at personal cost, without government approval, regulation or reward."

In recent years, some "social entrepreneurs" have developed an innovative approach to expand the ability of charities to help the poor with food. In effect, a division of labor among charities has naturally evolved with the creation of new institutions called food banks. These organizations solicit food from growers and manufacturers, warehouse it when necessary, and transport it to agencies that distribute it to the needy.

Reportedly one of the first to be established was St. Mary's Food Bank in Phoenix, a modest operation when it was begun informally in the mid-'60s by John van Hengel and other Phoenicians. Today, it supplies some 3 million pounds of food a year to nearly 250 agencies in the Phoenix area, according to public relations director Priscilla Scheid.

Scheid explained to REASON that, like some other food banks, St. Mary's has a limited and separate program of its own for direct distribution of food to people in need. Each of its food boxes contains enough food for about 36 meals and usually includes produce, canned goods, cereals, peanut butter, soup, meat when it's available, and a selection of whatever other food has been donated. But the bulk of St. Mary's operation is supplying food to other agencies for distribution.

Columnist Colman McCarthy recently described another food bank, the Food Salvage Project, in New Haven, Connecticut. McCarthy noted that the group's van "travels to supermarkets, restaurants, and bakeries and there picks up food that is dumpster-bound. The haul is then distributed to 18 agencies [including] four soup kitchens."

Characteristic of such voluntary, community efforts, no one knows how many food banks there are in the country. But they seem to be on the increase, and in 1976 a sort of "super food bank"—a network of some of the food banks—was organized to acquire and distribute food to individual food banks across the country on a large scale. Called Second Harvest, it emerged from John van Hengel's experience with St. Mary's Food Bank.

Mary Titcomb, Second Harvest's communications director, told REASON that the network currently has 45 member banks. In 1982, they distributed about 60 million pounds of food, 30 million of it obtained through Second Harvest. The average member bank distributed food to 190 agencies. Contributions to Second Harvest last year included 37 railroad-car loads—about 107,000 cases—of discontinued varieties of Nutri-Grain cereal from Kellogg Company and 2.4 million quart bottles of discolored but perfectly drinkable grapefruit juice.

Second Harvest last year went through a turbulent period after van Hengel was replaced by Jack Ramsey, a former bureaucrat with the now-defunct Community Service Administration. (In 1975 van Hengel had succumbed to agency pressure to accept a CSA grant to help get other food banks started nationwide. The grant money continued to flow, and in 1981 the CSA did a routine evaluation. The report, however, coauthored by Ramsey, was critical of van Hengel's management, and questions of conflict of interest arose when Ramsey soon thereafter was hired to replace van Hengel.) But the fact remains, as the *Wall Street Journal* concluded in an article last October, "By most standards Second Harvest has been a raging success."

Examples such as these show that when people are skeptical about the viability of private alternatives to vast government programs like food stamps, that skepticism may well be ill-informed. If people are already willing and able to do so much, even with that government program in place, what might they accomplish if the government withdrew its assurance that citizens need not worry about those in need—"Uncle Sam is taking care of it"?

"I agree with Ronald Reagan that we need a heightened sense of voluntarism in this country," says Catholic Worker Jonathan Parfrey. "I probably don't agree with him on anything else, but he's right about that."

That spirit of voluntarism is already alive. It animates countless individuals to pool their efforts and energy for mutual benefit and to help others in need. It undermines the conventional notion that unless a welfare state coerces its citizens into being generous, the less-fortunate will be starving in the streets. ◻

David Lips is a student in law and business administration at Duke University. This article is a joint project of the Sabre Foundation Journalism Fund and the Reason Foundation Investigative Journalism Project.

One does not enlighten a government, and of all governments, the least susceptible of being enlightened is one that believes it sheds all the light.

—*Balzac,* The Country Doctor, *1833*

The User Fee Illusion

Charging the users of government services instead of the taxpayers sounds like a great reform, but it masks the fundamental issues.

By Steven H. Hanke

Many of the goods and services supplied by the federal government could be sold directly to their consumers by charging "user fees." Revenues from these fees could then be used to finance the activities, rather than financing them with general tax revenues as is now customary. Several advantages accompany user-fee financing.

First, user fees link those who receive the benefits and those who pay for them. This is more equitable than financing in which the link is broken.

Second, user fees introduce incentives that reduce or eliminate wasteful utilization of public facilities; the use of prices ensures that output will go to those who value it most highly. Prices can also reduce congestion and the need for other, less efficient, ways of allocating output. As a result, the net benefits to the public are enhanced by charging user fees.

Third, user fees provide information about what users are willing to pay for goods and services. Therefore, analysts have an opportunity to actually measure the benefits from public projects, and the task of deciding whether to invest in projects can be less complicated and more reliable. At the same time, if users pay directly for what they consume, they have less incentive to exaggerate their "needs" for services.

Fourth, user fees reduce the need for financing from tax revenues. Hence, they can indirectly promote work effort, saving, and investment.

Fifth, user fees reduce the rewards associated with what economists call "rent seeking"—expending resources to obtain the "right" to receive free or underpriced goods and services from the government. Hence, these resources can be freed and directed toward productive activities.

Finally, user fees charged by government can increase the ability of private individuals and firms to compete effectively with the government for the provision of goods and services.

Recognizing these various advantages, the Reagan administration has proposed to increase government reliance on user fees to finance certain types of goods and services. For example, increases in fees were proposed for airports and airways, flood insurance, grain inspection, cotton and tobacco grading and inspection, and the construction and operation of inland waterways. In addition, new fees were proposed for Coast Guard services and for the construction and operation of deep-draft ports.

When proposed, these measures were estimated to generate revenues of $1.0 billion, $1.7 billion, and $2.1 billion in fiscal years 1982, 1983, and 1984, respectively. With the exception of flood insurance, the grading and inspection of agricultural products, and Coast Guard services, the administration recommended that fees or prices be set at levels that would approximate average operating and maintenance costs and that new methods for financing and amortizing capital costs be introduced. In addition to these proposals, the administration is reviewing other possible areas in which user fees could be either increased or introduced.

Although the introduction of user fees can improve the allocation of resources, there remain questions about the appropriate level and structure of the fees. Economic analysis provides some guidance in resolving these questions. For example, the following operational rules should be used as a guide to determine the level and structure of fees:

1. For existing facilities, user fees should be set equal to average operating and maintenance costs. If facilities are still congested, the fees should be raised to eliminate congestion.

2. For new facilities, these same guidelines should be followed, and in addition, annual license fees should be imposed on users or "up-front" financing should be paid by users to recover the capital costs of new facilities.

Even so, however, user fees could prove to be a mirage—a mirage that detracts from the attainment of a truly superior economic performance. Even when a public activity can be supported by user fees and charges that are set in accordance with such guidelines, the activity could be better carried out by the private sector. As a result of their differing incentives and regulating mechanisms, private firms tend to perform bet-

(Continued on p. 40)

FREAKED OUT BY TECHNOLOGY

A student of the '60s takes a new look at what moved the New Left.

By Paul Ciotti

By the end of the sixties, I was getting really tired of two words. One was *obscene.* In those days, anything you didn't approve of was obscene, from Wall Street to required courses to the capitalist war machine. The other was *idealistic*—as in "our idealistic youth."

The student left was by definition idealistic. I don't know where they got all this idealism. Perhaps it came in their registration packets, along with a campus map and library card. For a while it got so bad you could turn on the TV practically any night and there would be someone like David Susskind interviewing a Columbia student. "Look," the host would say, leaning over his director's chair to touch his guest on the arm. "I understand your idealism, but the end doesn't justify the means. How can idealism ever serve as a pretext for violence?"

"Yes, it's true," the student would answer, adjusting his trouser leg and checking to see which camera was on. "We *are* a very idealistic generation. That's why for us, racism and war are the ultimate obscenities."

Tossing his head as if to say "good point," the host would pause for a station break, after which they'd spend the next 30 minutes talking about corporate greed, social injustice, and the pressing need to restructure the nation's universities (the majority of which, they readily agreed, treated their students like dock workers on a banana boat). But they never got back to the matter of student radicals' alleged idealism. That was a given—like income taxes, or Lake Erie.

In fact, the only group that really ever questioned the notion that student radicals were oppressed idealists was the American working class. Despite their lack of education, American workers never had any trouble figuring out that it was they—not the radicals—who got up every morning to labor in factories, fields, and construction sites. Intellectuals, on the other hand, couldn't admire the youthful radicals enough. Yale psychologist Kenneth Keniston in his 1968 book, *Young Radicals: Notes on Committed Youth*, practically ran out of complimentary adjectives, describing the New Left as "sensitive," "trusting," "spontaneous," "independent," "self-actualized," and "emotionally free."

But this only confirmed what working-class Americans had long suspected about academic intellectuals—they were either willfully self-destructive or inexplicably dense. And the governor of California, Ronald Reagan, plaintively asked, where were all the conservative sociologists and political scientists?

It was not an unreasonable question. On political issues, sociologists almost always tilted left—which was perhaps no great surprise to anyone but Ronald Reagan, sociology from its inception having taken as its purview the social consequences of capitalism. And from the sociological point of view, capitalism had a lot to answer for—not the least of which was the way the capitalist market economy discounts intellectuals.

Unlike socialist societies—where intellectuals were routinely courted, even honored, for their expertise, intelligence, and broad-based skills—under capitalism, '60s intellectuals complained, they were demeaned and devalued, if not totally ignored. Technology was a great engine, but nobody was at the controls. Public policy matters went unaddressed. Social planning was a joke.

In any humanistic society, intellectuals argued, there would have been a role for them in the power structure, a niche from which they could help set government policy on the one hand and oversee the technocrats on the other. Instead, there was this enormous, gaping void. Decisions or, what was more often the case, non-decisions with far-reaching consequences were being made by mere technicians, people who couldn't tell Herbert Spencer from Herbert Marcuse and had never heard of either one.

The result, intellectuals protested, was every wicked thing you might have expected—a competitive, rapacious, alienated society, bereft of spiritual values, a slave to mere efficiency, blithely unaware of any obligation to the planet, and totally unconcerned with humanity at large.

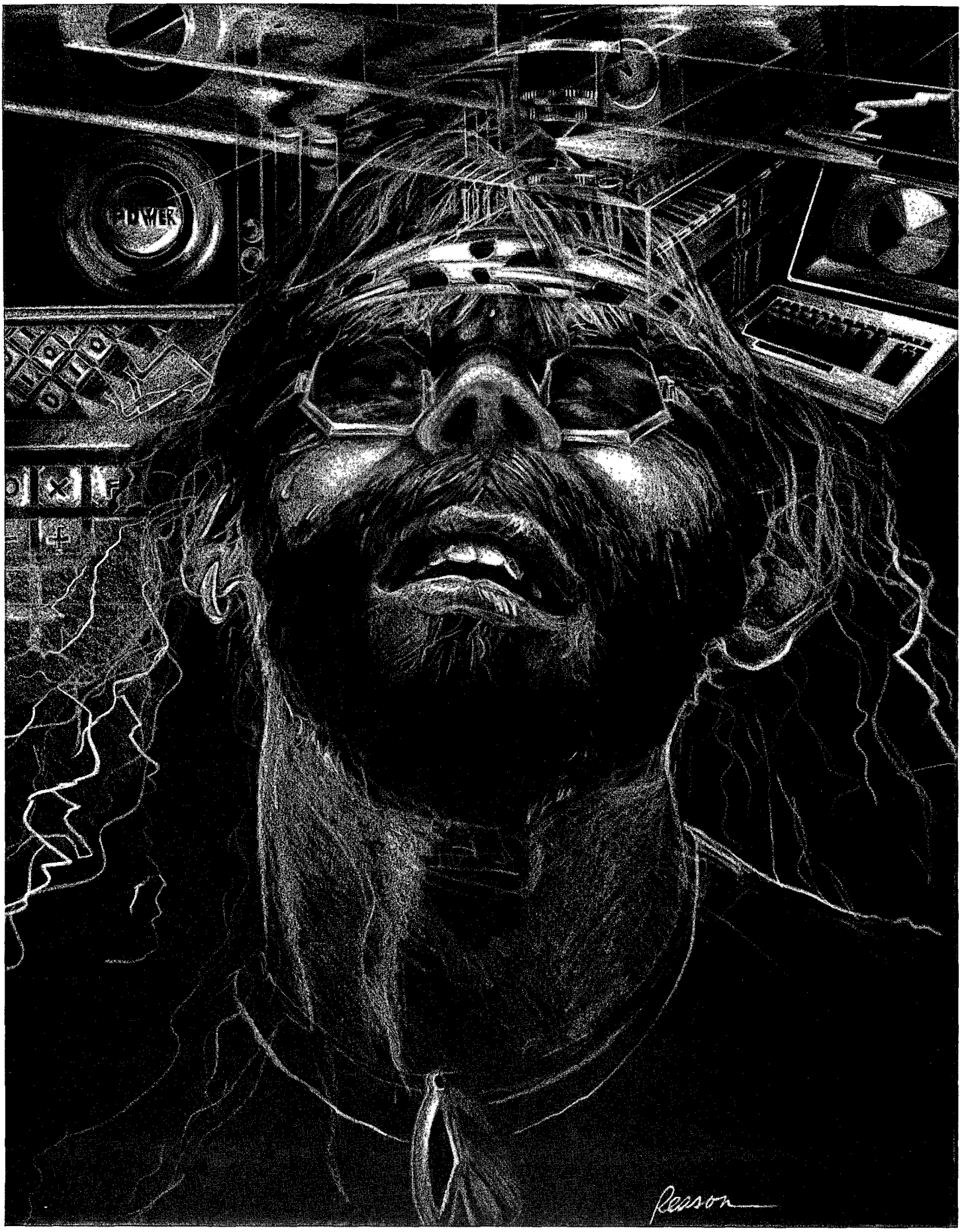


Illustration by Rick Reason

"We have met the oppressed, and they are us."

This was hardly a new refrain. The Old Left had made similar charges and dreamed similar dreams throughout the previous 30 years: The intellectuals would raise the revolutionary consciousness of the oppressed workers. Then, outraged by the revealed internal contradictions of capitalism, the workers would rise up and seize the means of production, whereupon the intellectuals would step in and declare a workers' paradise.

The knotty problem, as the Old Left saw it, was American proletarians' inability to stage a revolution—they were too busy watching football, rototilling their flowerbeds, or painting racing stripes on their snowmobiles.

By the sixties, the Old Left was sowing the seeds of revolution on increasingly barren ground. Their propaganda was 30 years out of date. Their vision of the future looked like a tractor repair manual from the first five-year plan. The way they talked, one would think the working class still spent its days in textile mills, coal mines, and cast-iron foundries. But in truth, the United States had become a service economy in the post-war years. The percentage of US workers belonging to labor unions peaked in 1954 and has been falling ever since to about 20 percent today. By the mid-sixties, Americans had entered the first stage of the post-industrial society. Increasingly, American workers weren't so much wearing coveralls and steel-toed work boots as Adidas sneakers and designer jeans.

Although privately disappointed by the American worker's failure to recognize his own oppression, activist intellectuals were nothing if not flexible. And in the spring of 1960, the late Columbia Marxian sociologist C. Wright Mills announced a startling conceptual breakthrough—he had discovered a new proletariat. Citing the success of student activists in challenging repressive regimes in Turkey, South Korea, Cuba, and Japan, Mills asked: "Who is it that is thinking and acting in radical ways? All over the world—in the bloc, outside the bloc, and in between—the answer's the same: it is the young intelligentsia."

For the New Left this was the socialist equivalent of Isaac Newton's apple. Tom Hayden, founding father of Students for a Democratic Society (SDS), incorporated it into his New Left manifesto, the Port Huron Statement of 1961, from which it spread like dandelions over college campuses across the land. No longer would the revolution have to dance in attendance to the beer-sotted masses, most of whom were reactionary Steeler fans anyway—student activists were now their own oppressed class. Thus the origin of the phenomenon that so astonished blue-collar workers—the student-as-nigger theme and the startling intellectual backflips by which New Leftists transformed poor vacillating college deans into academic storm troopers and steely-eyed bureaucrats for the new Amerikan Reich.

The strangest aspect of this transformation was that the worst complaints weren't coming from poor kids working their way through a state teachers college. It was the most privileged students from the best colleges who apparently felt the most oppressed. At Harvard, for example, the editors of the *Harvard Crimson* unblushingly referred to themselves as "the oppressed student class."

This so astonished former Harvard student Steven Kelman that in his 1970 book on the Harvard strike, *Push Comes to Shove,* he set aside an entire chapter to point out the obvious—not only were his classmates not victims, they were actually quite highly privileged members of an elite leisure class. They lived in a mahogany-paneled universe. The bathrooms in their campus suites were larger than most dormitory rooms at less-favored schools. They didn't even feel particularly anxious about the future, rightly or wrongly assuming that in merely having been admitted to Harvard their futures were assured. And yet, like students at Berkeley and Columbia before them, in the spring of 1969, following months of feverish SDS activity, the Harvard student body seized a building, and then went out on strike for nearly two thrilling weeks.

Students and more students: the rise of a new intelligentsia

With the sixties so far behind us now it's sometimes hard to recall that the original campus protests had little to do with the war in Vietnam. The Berkeley Free Speech Movement was the archetype for sixties-style student protests, and that emerged in September 1964, some 10 months before President Johnson announced the Vietnam troop build-up. There were, to be sure, American advisors in Vietnam at the time. But the issue had not yet become a major campus issue, let alone a nightly staple of the TV news.

Furthermore, as Bruno Bettelheim pointed out at the time, if the student protests really were a principled reaction to university complicity in racism and war, why did similar protests take place in France, Germany, Italy, and Japan? Even if one could construct a plausible case for the complicity of American universities in our racial problems and military adventures, by what stretch of ideological imagination could that complicity be extended to a university in France or Japan? Or for that matter, did anyone, including the SDS, seriously believe that American universities were really the cause of the Vietnam war?

In the 1969 Harvard strike, the logic by which students indicted Harvard of a crime against humanity was so tortured that even the SDS was half-embarrassed to advance it. At Columbia, the SDS justification for taking over the university in 1968 was that Columbia supported the war through its Institute for Defense Analysis and that its proposed gym in Morningside Heights Park "exploited" blacks and Puerto Ricans. Yet as Columbia SDS leader Mark Rudd would later admit cheerfully, the SDS "manufactured the issues. The institute is nothing at Columbia. It doesn't mean anything to anybody, just three professors. I had never been near the gym site. Before the demonstration began, I didn't even know how to get there."

Marshall McLuhan once remarked, in another context, that we only see our environment as it rushes away from us, through a rear-view mirror. In the future, historians might very well conclude that the most significant fact of the sixties wasn't that so many students were rioting, but simply that there were so many students, period. Just prior to

World War II, the number of college students in this country was approximately equal to the total number of coal-mining and railroad workers—about 1.4 million. Thirty years later, the number of college students had increased 400 percent, to 7 million. Students, in fact, had become a brand-new social class, outnumbering miners 50 to 1, railway workers 9 to 1, and farmers 3 to 1. Whereas a college education had once been almost the exclusive preserve of the upper classes, following World War II it was open to virtually anyone. (Currently, two-thirds of all California high-school students go on to college.)

The ostensible explanation of all this education was that students needed it to cope with our infamous technological society. In fact, the problem was less a matter of our society's much-touted complexity than its growing inability to provide enough jobs. Universal higher education seemed like a simple yet elegant solution—it was both stimulating and instructive and it held down the unemployment rate. Unfortunately, as H. L. Mencken once observed, for every complex problem, there is a solution that is simple, obvious, and wrong. What was wrong with keeping so many of the nation's young people out of the productive labor force was that it deprived them of what Freud said was essential to the development of an identity—the opportunity to work.

Young and restless: the angst of obsolescence

The concept of adolescence, which seems so obvious to us now, is actually a rather recent invention. In earlier times it was not considered cruel or oppressive that teenagers should have to bear adult responsibilities. Alexander the Great became king of Macedonia at age 19. Joan of Arc was still a teenager when she broke the siege of Orléans. In medieval times it was considered quite ordinary that monarchs would assume the throne while still in their middle teens. Only in our urban technological society can a willfully self-destructive student of 27 be tolerantly patronized as someone trying to "find himself."

By the mid-sixties, what had formerly been only the inchoate angst of a James Dean in *Rebel Without a Cause* or a Marlon Brando in *On the Waterfront* was rapidly becoming the common experience of an entire generation. Some intellectuals—perhaps not understanding what young people meant when they complained of feelings of powerlessness, rage, and lack of identity—jumped to the conclusion that such alienation was the inevitable result of being the first generation to come of age under the looming threat of the atom bomb. Nobel Laureate George Wald won a standing ovation for this explanation from a group of students at the Massachusetts Institute of Technology in the late sixties. And sociologist Kenneth Keniston used it to explain why the SDS generation was so "sensitive" to the issue of violence. (Keniston was writing before the SDS became the Weather Underground and began blowing up buildings, including, by accident, its own bomb factory.)

For psychologist Bruno Bettelheim, the bomb hypothesis was a little too facile. In a 1970 monograph called *Obsolete Youth*, Bettelheim pointed out that students' indignation toward the threat of nuclear Armageddon tended to be highly selective, generally excoriating the United States while only gently chiding the Soviet Union—that is, if the Soviets were blamed at all. And yet the Soviets relied just as much on their missiles as we did on ours. Furthermore, they had a larger army and, ever since the Cuban missile crisis of 1962, a faster-growing navy as well. So why was it, asked Bettelheim, that all through the sixties, whenever there was a student protest in Germany, France, Italy, or Japan, censure was always heaped upon the United States but never the Soviet Union?

It was Bettelheim's contention that the indignation and alienation of student protestors in the sixties was not so much a reaction to the atom bomb or the Vietnam war as it was the implicit conviction that "they didn't have a future"—not because anyone was going to vaporize them with ballistic missiles but simply because, in Bettelheim's words, "modern technology has made them obsolete." The United States always bore the brunt of students' protests because, compared to it, the Soviets were a backward society whose technology was almost entirely limited to its military forces. American civilian technology, on the other hand, pervaded entire cultures clear around the globe. And that, says Bettelheim, was what the student protests were really about—not the war machine but the machine itself and how it seemed to affect humans in a technological age.

It was perhaps no mere rhetorical coincidence that Mario Savio, a student leader of the Free Speech Movement at the University of California at Berkeley, phrased his famous 1964 attack on the multiversity in a technological metaphor—he urged the students to throw their bodies on the "gears" and "levers" of the "machine." That was a time when just the study of computer science was seen as a kind of moral and political degeneracy. "Even accounting," remembers Santa Monica community activist Derek Shearer, "was seen as a capitalist plot."

In those days, the relationship between student unrest and our technological society was not widely appreciated. President Johnson was forever leaning on FBI Director J. Edgar Hoover to produce proof that Moscow was orchestrating and funding the antiwar effort. He never could, for the New Left's main connection with the Soviet Union was simply its penchant for talking in a kind of politburo agit-prop. In any case, one hardly needed to invoke Soviet agents to explain the New Leftists' loathing of corporate capitalism—that was a consequence of their fearful feelings about technology and how they would cope in a technological society.

Fear and loathing in the new American technocracy

Despite the left's theoretical concern for the working man, during the sixties the New Left's leadership—the overwhelming majority of whom, studies showed, came from the educated urban upper-middle class—actually felt more than a little contempt for working men. Southern workers were demeaned as "rednecks," those in the construction trades as "hardhats." In one very popular movie of that era, *Easy Rider*, white working-class men were portrayed

as redneck thugs. Such attitudes were perhaps not surprising. The radical student left never had any contact with blue-collar Americans. At Harvard, the average family income of SDS members was 35 percent higher than that of the college body as a whole and three times as high as that of the average American family.

In the sixties, the majority of engineering students came from working-class families, while the New Left, true to its upper-middle-class origins, regarded engineering the same way nineteenth-century English aristocrats regarded "trade"—they thought it was undoubtedly very satisfying for the lower classes but hardly the sort of thing they'd ever choose themselves. Instead, student radicals largely majored in political science, sociology, psychology, and all the other less-exact studies, with an occasional nod to the biological sciences and theoretical math.

Such an attitude perhaps made sense in a less technological era, when the purpose of higher education was to give the offspring of the upper classes the breadth and polish that would one day allow them to assume their proper roles as society's elite. But in an era when virtually anyone could go to college, the upper classes' education wasn't so elite anymore. Not only didn't it prepare them to be society's leaders—in a technological society, it didn't prepare them to be much of anything at all.

Contrary to what so many liberal commentators have suggested, the New Leftists' problem wasn't that they went overboard in their infatuation with Marx but that they hadn't really understood Marx at all. In the sixties, the main source of the New Left's considerable influence with liberal legislators, media, and intellectuals was its largely unchallenged assertion that those in the movement, despite their occasional excesses of zeal, were motivated mainly by their own high principles. Their admittedly self-righteous rage, they claimed, was wholly defensible as an understandable reaction to the horror of racism, repression, injustice, and war.

Marx, on the other hand, had always maintained that when the chips were down, what really motivated people wasn't so much an abstract devotion to social justice as a practical concern for the welfare of their own social class. In the sixties, the newest and most vibrant social class was that composed of students, especially those affluent, urban, upper-middle-class students whose education, upbringing, and leftist politics had left them unprepared to cope in a technological society.

Richard Nixon must have laughed until his jowls shook at the way New Leftists, in opposing the Vietnam war, wrapped themselves in the mantle of idealism, but as soon as he introduced the lottery in 1971 and abandoned the draft entirely in early 1973, the campus riots of the sixties and early seventies vanished like a bad dream in the night. A Berkeley professor I recently talked to remembers the difference in his students as absolutely phenomenal. All through the spring quarter of 1971, they spent the class attacking him as a tool of the capitalist war machine. There was a three-month summer vacation. And when they came back, it was suddenly a 1950s' rerun—the students were meek, mild, and trusting.

It was perhaps true that radical leftists of the sixties, coming as they did from the privileged upper-middle class, felt sincere concern, compassion, and guilt for this nation's oppressed and deprived. But it was equally true that the major beneficiaries of the projected increases in social spending they demanded on behalf of the poor were people like themselves—people who wanted and needed jobs administering such programs and who were either unwilling or unable to endure what they saw as the crass reality of life in the private sector. And how better to justify the increased taxes the private sector would have to provide for such programs and jobs than to blame the private sector for all the country's ills. Thus, in the sixties, attacking corporate greed became a major national pastime.

I once asked Deirdre English, editor of *Mother Jones*, why so many of its articles concerned the alleged need to bring businesses under some sort of public control. Her answer, I remember, was practically a wail: "But they've got all the science and technology." Of course, she was absolutely right. And this, I think, was the real complaint of leftist radicals in the sixties. Contrary to everything they'd ever been taught to hold or revere, the future didn't so much belong to them anymore as it did to all these neobarbaric technocrats. And yet because these people knew about such things as impedance and capacitance, silicon chips and computer architecture, it was they—and not the liberally educated radicals—who were receiving the lion's share of our technological bounty.

It is not sheer coincidence that in this country engineers and leftists have always been at opposite ends of the political scale. Engineers, by and large, are people who are in some degree gifted in spatial relations, math, and (oftentimes) manual dexterity. Working as they do on our society's cutting edge, they are neither diminished by machines nor terrified of technology. But such talents exact their toll. Despite the ease with which engineers manipulate the physical universe, they are as a group much less gifted in manipulating other people—they do not rank conspicuously high in social skills.

The personal skills of socialists, on the other hand, seem almost exactly the opposite. They have no technological skills themselves, but they have superb social skills, especially those involved in argument and exposition. They then use these skills to advance their heartfelt thesis that the world is out of control. The socialist worldview is that we are all particles of dust, buffeted and scattered by the universal cyclone and our only hope—if we have a hope—is to join hands with our comrades and thereby temporarily hold the howling cosmic winds at bay.

Socialists' real problem is that they can't cope and they know they can't cope. Their only hope of survival is to inject politics into every corner of human activity, thereby securing for themselves through the political process those goods and services they couldn't produce on their own. For true socialists, the ideal world would be one in which people such as themselves set forth the agenda and lesser folks, like engineers and technicians, carry out the program. To put it another way, socialism isn't so much an altruistic economic system as a subtle insurance policy for the technologically inept.

The sixties ended so quickly, it took us another five years to realize they were fully gone. One moment, college students across the country had risen up against the Cambodia invasion and the next minute it seemed like half the left had traded in their revolutionary rhetoric for bean sprouts, mysticism, and a teepee in Mendocino County—where, to their everlasting chagrin, their kids grew up demanding skateboards and electric trains, just like everyone else's.

As for technology itself, many of us had long bought into the idea that computers (to use the quintessential example) were some kind of neofascist intelligence housed in a machine the size of a small bungalow. For years we'd been dragged, kicking and screaming, to the computer room. But when we finally walked in of our own accord, sat down at a terminal, and punched the button marked "enter," we found to our surprise and joy it didn't hurt at all. ◻

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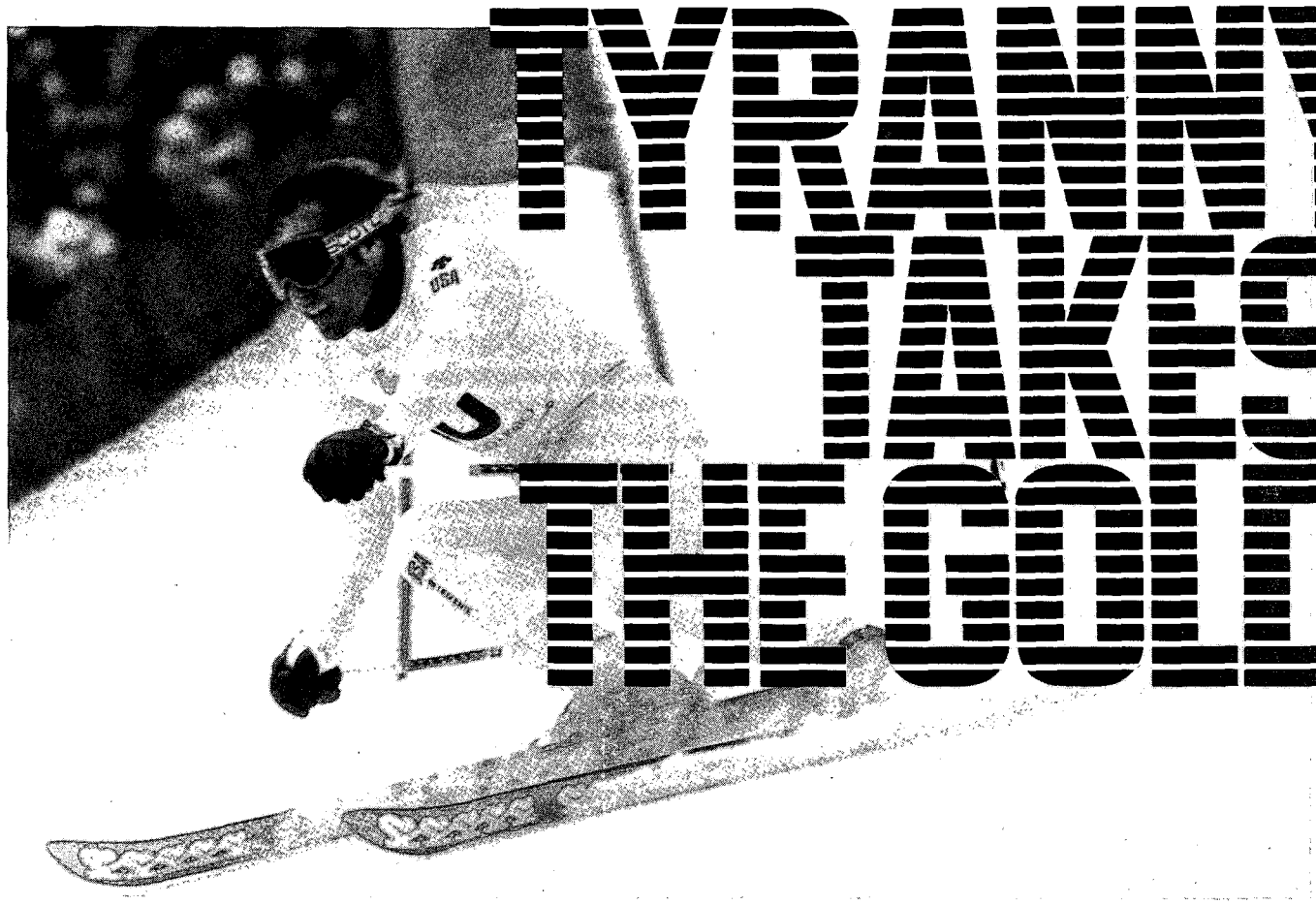

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TYRANNY TAKES THE GOLD

In the name of the Olympics, the state moved in like a storm trooper.

BY ROBERT ST. YVES

Here is a tale, a story true in every detail, that the American public, and especially those owning and operating small businesses, should take to heart. With all the gripes about government regulation of business, both critics and defenders of capitalism believe that ours is still fundamentally a free-enterprise system in which all of us have the opportunity to own, manage, and build any type of commercial enterprise we wish. But it is not as free, as open, as we assume.

In 1976 I managed to realize a long-nurtured dream. An opportunity presented itself that I could not refuse—a business that I felt qualified to own and operate came up for sale in an area far from the chaos and bustle of any city. I was able to buy a profitable business, move to an area where mountains replaced skyscrapers, and realize two dreams with one stroke of the pen.

The business was a small motel, a one-man operation. Located in a remote section of the Adirondacks, in upstate New York, it was only a few miles from the site of the 1980 Winter Olympic Games in Lake Placid, New York. The International Olympic Committee had just awarded the area the right to stage the next Olympic games—a fortuitous bonus that did influence my decision to buy property in the region.

For the first year, I was no more than one small operator in an area that had an over-abundant supply of small operators. I caught "Olympic fever," as we called it then, excited by the prospect of being involved in an event of international proportions, with the world coming to my doorstep, my backyard, to watch the best athletes in the world compete for the gold.

Then, in stepped the state of New York, with legislation and regulations that changed everything. In August 1977, barely a year after I had relocated to the area, a new law went into effect and changed all our lives. Chapter 912 of the laws of 1977 created a new and powerful state entity, the Olympic Accommodations Control Corporation. The function of this government-controlled and -operated organization was to acquire, by whatever means necessary, all commercial lodging facilities within a four-county area for the use of the Olympic Committee.

Not only did the state give itself the right to literally commandeer any and all lodging facilities, it also gave the corporation the power to determine prices, terms for payment, and who would be lodged in any facility so acquired by the state.

We were told what price to charge for our services, to whom we would rent those facilities, how many individuals were to be accommodated in each unit, for how long those people would be allowed to remain in the unit, how and in what manner payment would be made—all this without the option of refusal.

We could, of course, shut our businesses down for the entire period of the Olympic games. That included virtually the entire winter season of 1980. Or we could attempt to ignore the demands of the Olympic Accommodations Control Corporation and continue to rent or lease our properties as always. But then we became liable to prosecution by the state under the rules and regula-

tions of the law. The penalties included fines and imprisonment.

The worst was yet to come. In determining what rate would be charged, the corporation decided to base the rate on the summer season of 1979. During that year American consumers had experienced the second serious oil shortage. Fuel prices had risen dramatically, with a grave effect on the rates charged for rooms in the Olympic region. Because of the suddenly high cost to the tourist of traveling to such a remote and out-of-the-way location, demand for accommodations in the area had fallen off severely, and our prices had dropped accordingly.

After a group of furious motel owners demanded some relief from the law, some modifications were made. The period on which our Olympic rates were to be determined was moved back to the summer of 1978, a full two years before the games took place. The rate was to be roughly 35 percent higher than the price charged during the base period. On the surface, it sounded great.

Between the time from which the rates were determined and the time the games occurred, however, the cost of energy rose nearly 100 percent. The single most significant cost of operation rose 100 percent, and we were to receive only 35 percent more for our services. Cost increases during that period pushed the cost of operating a motel or hotel in the area right off the charts. Still, our rates had been frozen by the state.

Lodging facilities were the only businesses controlled by the state. No other type of industry was included under the law. That caused problems that the motel owners had foreseen, had predicted, long before the games actually began. Having asked for protection in the event that certain other businesses decided to take advantage of our situation, we were assured, by officials responsible for such things, that in the event something of the kind occurred, they would assist us.

They didn't. For example, on the day prior to the beginning of the games, the cost of a single bed sheet rented from one of the local linen services was 26 cents. On the first day of the games, the price of that same sheet, from the same company, rose to $1.00. The charge for all items rented from that particular company quadrupled. When we brought our case before the Olympic Accommodations Control Corporation, and other officials who had been responsible for freezing our prices, we were told they were powerless to aid us..

With energy costs up over 100 percent and, now, the cost of linen service up almost 300 percent, the additional 35 percent income began to vanish rapidly. In its overzealous attempts to protect the public from possible gouging by the motel-hotel owners in the region, the state was, in effect, bankrupting the lodging industry.

Virtually all expenses rose dramatically during the period—for labor, paper goods, everything. At the end of the games we, as a group, found our pocketbooks empty, our desks piled with bills for which there was no money.

We, who hosted the world, were impoverished by the experience. In some cases, property owners didn't even cover outright expenses. In many other instances, the operators made less than would have been the case if the games had never taken place. All this because of state interference in the marketplace in the name of Olympic competition.

Whenever government is allowed, under the guise of protecting the public, to dictate prices and terms to private business, we not only are stripped of our freedom, of our rights under the law; we also face the danger of destroying the very industry so controlled. The state of New York, in more recent months, has finally become concerned for the very industry it helped to destroy, suddenly realizing that we are in serious trouble. For some of us, it is too late.

Tourists traveling into the area, especially in the town of Wilmington, are dumbfounded by what they find. Motels closed, boarded up, abandoned. The entire area resembles a ghost town in the making as, one by one, businesses shut down, never to reopen. Not all of it is the result of the state's interference, but much of it is.

We, who were raped by the state, have learned a valuable lesson. Our freedoms can vanish in the blink of an eye at the whim of the government whose purpose is to protect those very freedoms. We are free to do business only so long as our interests and those of the state are the same. When that is no longer true, beware. It's a lesson one would hardly associate with the thrill of the Olympics. And it happened behind the scenes, far from the view of an American public that believes free enterprise still prevails. ◻

Robert St. Yves is a motel owner in Wilmington, New York.

User Fee Illusion

(Continued from p. 33)

ter than public enterprises.

A large body of empirical evidence supports this conclusion. By identifying the factors that determine costs, econometric studies allow us to identify the cost differentials that result exclusively from private versus public supply. Whether the public services be water supply, waste-water treatment, fire protection, police protection, refuse collection, ship repair, air transport, urban bus transport, electric supply, or ambulance service, we obtain the same result: for the same quantity and quality of service, the cost of public supply is approximately twice that of private supply.

Thus, if our objective is to efficiently provide "public services," we should eliminate public ownership and allow private enterprise to supply these goods and services. To accomplish this, we must not be attracted by the user-fee mirage. Rather, we must eliminate statutes and regulations that limit the ability of private individuals and firms to freely compete in the provision of public services, and we must actively pursue policies of denationalizing and privatizing these activities.

* * *

I presented this argument recently in New Orleans at the annual meeting of the National Waterways Conference. During the meetings, the spotlight was focused on Reagan administration proposals to increase the user charges and "up-front" financing requirements for inland waterways and deep-draft ports.

The proposal to instead privatize *inland waterways and ports raised some eyebrows, particularly those of the many representatives from the US Army Corps of Engineers. Leaders from the barge and towing industry, however, were more receptive.*

For example, Mr. Les Sutton, president of Dravo Mechling Corp. and a member of the panel on which I spoke, supported the privatization concept. Moreover, he reminded other industry members that J. W. Hershey, one of the industry's patriarchs and chairman of American Commercial Lines, Inc., as well as of the National Waterways Foundation, has argued in favor of privatization. The industry's privatization arguments are quite straightforward: if the industry is forced into a cost-plus arrangement with the Corps of Engineers, then, the industry argues, it should attempt to purchase water and port facilities, because private costs would be lower than public ones. ◻

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WAS IT THE FREE MARKET THAT FAILED IN CHILE?

BY CLAUDIA ROSETT

Chile has become something of a tender point for free-market believers this past year. The Chilean economy has taken a nose dive, and the substantially free-market program that until 1981 drew attention as a miracle now looks more like a debacle.

What went wrong? Chile's economic program seemed to be going in the right direction. Prices and interest rates were decontrolled, more than 400 businesses were returned to the private sector, tariffs were slashed across the board, and social security was transferred to the private sector—to name the mainstays of the so-called free-market experiment. Among other signs of success, inflation fell from 340 percent in 1975 to 10 percent in 1981; and from 1977 to mid-1981, GNP was growing at about 8 percent a year.

Now, however, the Chilean economy is a mess. Gross national product fell 13 percent last year, and unemployment rose to about 25 percent. The peso today is worth less than half what it was against the dollar in early 1982. Many banks have survived only through government bail-outs and are now under state management. This past spring, when world oil prices were plummeting, the best news the government development agency, CORFO, could find for its economic report was that Chile's state petroleum monopoly was pumping record amounts of crude oil.

What happened to Chile's economic miracle? The standard explanation, from the *Los Angeles Times* to the *Nation*, is that the Chilean government adhered *too strictly* to a free-market model. This experiment in capitalism, say those who have criticized it all along, has proved that a laissez-faire system won't work.

In fact, however, the smash-up of Chile's economic system began not with the principles of free economic activity but with two mistakes made by the free-market team of government economists: they failed to acknowledge an implicit state guarantee of private banks, and they fixed the peso to the dollar. With the resulting problems, Chile's military rulers are proving to be fair-weather friends of the market. Instead of sharpening their commitment to economic freedom, they seem ready to junk it. Their behavior points to some bottom-line conflicts between capitalism and political repression.

To find the start of today's troubles means going back to the mid-'70s. Chile was suffering from world recession while trying to find a way out of the economic shambles left by the socialist government of President Salvador Allende. When "the Chicago boys," a group of

Photograph by Claudia Rosett

Chilean economists trained at the University of Chicago, brought a detailed free-market program for economic recovery to the new president and chief of the junta, Augusto Pinochet, he was willing to listen.

Pinochet backed the economists because they had a comprehensive plan, and they had answers to problems the military men were still trying to understand. These problems ranged from triple-digit inflation to a lack of credibility with foreign bankers. No one was in a hurry to lend money to Chile after the grand-scale nationalizations and economically destructive policies of Allende's administration.

The Chicago boys were not backed all the way, however; they had to fight continually against many of the generals in Chile's new military regime, who tended to favor heavy state control of industry. The free-market policies were under pressure to produce fast results in order to win continued tolerance from the military. There was no time to linger over details or to fine-tune huge reforms. Juan Carlos Mendez, who became budget director in 1975, described his across-the-board cuts in government spending as "not a very scientific way to do it....But the important thing was to bring the deficit to zero."

When the government auctioned off the state-owned banks to the private sector, all seemed well. The idea was that once the government had bowed out, private competition would ensure that credit went to good investments. But there was a sleeper.

Before the nationalizations under Allende, banks had operated with fixed interest rates on loans and deposits. Under Pinochet, bankers were free for the first time to do whatever the market would allow. As Chile's business climate improved under the new economic program, foreign bankers became eager to lend. By 1981 dollars were pouring into Chile by way of loans to Chilean banks. Signs of progress were easy to see, with new apartment buildings going up in Santiago, factories opening, and imported consumer goods filling the shops. Everyone wanted a piece of the action. Maids and janitors moved their savings from the mattresses to mutual funds. Inflation was coming under control, real wages were rising, and unemployment was falling. With the dramatic economic changes in Chile, no one stopped to question exactly where the money borrowed from foreign bankers was going.

Foreign lenders apparently looked at Chile's growing reserves as a guarantee that their private loans would be repaid. Lenders took little care that their dollars were wisely invested, apparently because they believed the Chilean government would not allow a major bank default. The government gave no such guarantee of private debt, which would have gone against free-market principles. In this atmosphere, strong bank regulation was viewed by many as a hindrance to the market, and the government tended to stay out of the affairs of private banks.

Then, in 1979, the third consecutive year of 8 percent growth in GNP, the government fixed the exchange rate between the peso and the dollar. The aim was to attract foreign capital with a guarantee that pesos could be turned back into dollars at the original rate. At the time, prospects seemed good that growth would continue and the guarantee could be honored. Chronic economic stagnation of earlier times had given Chile little experience with the business fluctuations that accompany free markets.

While some members of the Chicago team disagreed in private with the fixed-exchange-rate policy, they backed it in public. The economists were still fighting unfriendly generals in government and thought they could not afford to jeopardize their whole program with open dissension over their own policies.

The economic program by this time included a massive changeover from a state-subsidized, pay-as-you-go social security plan to a private pension plan. A school voucher system was under way, and a new labor law allowed union activity but restricted it to open-shop, local unions. Transportation had been deregulated for the air, taxi, and intercity bus industries. There was even talk of deregulating first-class mail delivery.

But the careless bank practices and the fixed exchange rate held hidden dangers. In May 1981, a major sugar refinery failed in a spectacular and disturbing way. The refinery was run by a respected Chilean businessman, Jorge Ross. Private banks had loaned money to his company, CRAV, on the strength of his reputation, without watching how the money was used. What came out in the newspapers after the failure was not only that the company had been headed for bankruptcy but that it had gone under with a resounding thud by speculating in the futures market. Private banks had to pick up big pieces of the bill.

Shaken by this incident, the government rushed out a strict banking law three months later. The law limited the amount of capital banks could lend to any single corporation or person and prohibited them from accepting stock as collateral.

The banking law came too late to change the disastrous policies of several major banks. World recession had begun, and the price of Chile's main export, copper, was falling. The dollar was on the rise, taking Chile's peso along with it because of the fixed exchange rate. This created artificially high prices that discouraged demand for Chilean exports. Banks began finding it harder to get credit and could no longer hide bad loans by rolling them over.

The Chicago boys in the ministries of finance and economy and in the central bank were reluctant to violate free-market principles, but they did. They thought they had no choice. Foreign lenders tend to look at the overall credit-worthiness of a country, rather than at individual borrowers. The government fear was that the failures of several large banks would make it hard for even the best Chilean investments to attract credit. Afraid of scaring away foreign capital, Chile's government intervened to prop up four failing banks and four loan companies in the fall of 1981.

The investigations that followed the bail-outs found a rats' nest of loan pyramiding, stock-market manipulation, and doctored books, according to the Chilean newspapers. Some banks had kept bad loans on their books, reluctant to recognize their losses; some had obtained loans for sister companies that had then redeposited the loan money in the banks to generate more lending power without a corresponding increase in the capital base of the banks. Practices like these build up a financial house of cards that finally collapses when the bank cannot get enough new credit to hide its losses.

Once intervention began, it was hard to stop. The willingness to bail out banks meant that some private-sector risk was being transferred to the state, and the government policy of paying full interest to depositors after a bail-out meant that the public had an incentive to deposit savings in the riskiest banks offering the highest interest rates. Recently, the government has again intervened to save additional banks. The state is now able to ration much of the credit to the private sector—exactly what the original sale of the banks to private owners had been designed to prevent.

As the banking problems were exposed and recession deepened, Chile began losing foreign reserves. Holders of pesos, no longer optimistic about the future of the economy, began converting their pesos to dollars for safety. Fear of

devaluation led to further losses of dollar reserves, which in turn made devaluation harder to avoid.

In theory, the Chilean government had no need to devalue. The Chicago boys had learned in graduate school that in a free-market economy, with a fixed exchange rate, prices would adjust automatically in times of hardship. The price level would fall, and the exchange rate would come into line without a devaluation.

In practice, there were two obstacles to an automatic drop in price level. One was a clause in the 1979 labor law that put a floor on union wages. The other was the immediate psychological problem of asking people to accept lower salaries in a country accustomed to double- and triple-digit inflation. Chileans have a sophisticated understanding of wild inflation, but a drop in nominal prices was altogether outside their experience.

The signs in Chile are that free markets and dictators are not a match made in heaven.

By June 1982, Pinochet decided that a downward adjustment of prices was politically impossible. He had already fired his most influential free-market advisor, Sergio DeCastro, who had backed the fixed exchange rate. The Chilean government devalued and later floated the peso, which fell more than 100 percent against the dollar over the following months.

The devalued peso created more problems for the economy, which was already troubled by the bank crisis and the lowest copper prices in decades. Firms that had borrowed in dollars were unable to meet their debt payments. Businesses failed and unemployment shot up, while the government faced a growing budget deficit because of declining tax and copper revenues.

As a result of these economic difficulties, the free market may have lost its most important backer. Pinochet, proud of the Chicago boys and their policies when times were good, is now edging toward populism.

Since April 1982, Pinochet has dismissed three Chicago-trained finance ministers in succession, starting with DeCastro, who was the mastermind of the Chicago boys' team. The current finance minister, Carlos Caceres, is a free-market thinker and one of the two Chilean members of the Mont Pelerin Society, a private international club that favors individual freedom. But Caceres has a reputation as an academic, not as a politician. He is working without the help of the old economic team, most of whom have been fired since the recession began.

While Pinochet says he still supports the market model, tariffs have been boosted to 20 percent from the previous uniform rate of 10 percent; on selected goods, tariffs have gone even higher. Other moves away from the free-market program include a plan to send state managers into bankrupt companies and the temporary fixing of interest rates this past January. Pinochet has started public-works programs such as road building; like higher tariffs, these may serve mainly to muster support for the regime. Economic freedom is now being traded away in the name of pragmatism, and with the effect of buying time for the generals.

What will happen next in Chile? Only a year ago, some Chileans explained the lengthy stay of the military (not scheduled to step down from government until 1989) as an effort on the part of the generals to ensure that the free-market program had really taken root. That argument doesn't explain much these days. Pinochet may be giving ground on his economic policies today with the idea of moving again toward a free market when the economy recovers. But he has fired most of his advisors who would know how to make that move.

A possible result of the economic troubles is that Pinochet will topple, taking the armed forces with him, and democracy will be restored. But the mechanics of such an event would be difficult. The moderate Christian Democrats are disorganized, with wide differences between left- and right-wing factions and no clear platform. The Communists are organized but few.

It seems more likely that the same bayonets that once backed the free market will now be used to back state meddling in the private sector. The change would not be as great as the old free-market label implies. Chile was never a model free market, whatever that may be. The claim to economic distinction came from the sharp differences between Allende socialism and the plan the Chicago boys were able to negotiate with the military. State spending dropped from more than half of yearly GNP under Allende to a quarter of GNP under Pinochet—but a quarter is still a hefty fraction.

Chile was never whole-hearted in its acceptance of laissez-faire policies and had parted reluctantly in the first place with industries regarded as "strategic" by influential generals. Even when the Chicago boys were at their height, the state owned 19 of the largest companies in Chile, including the copper mines, which accounted for more than 40 percent of exports in 1980, the last boom year.

The signs in Chile are that free markets and dictators are not a match made in heaven. What was always an uncomfortable marriage is breaking up. The dictatorship is surviving, so far. The free-market program is not.

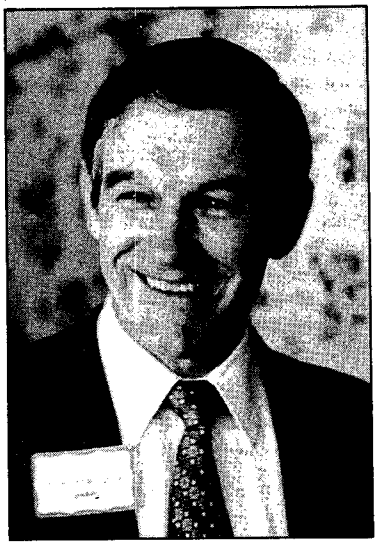
The conflict between dictatorship and free enterprise may have meant from the start that Chile's economic program could not endure because of its political context. A free-market system rests on the premise that Big Brother is not needed to manage the economy. But the centralized power of dictatorship provides constant temptation for Big Brother to tinker with business. Put together, the two systems add up to a schizophrenic and unstable national lifestyle.

It may still be too early to draw conclusions about the viability of a free market in Chile. The program was established only a few years ago and was imposed without democratic consent on people who had not known such a degree of economic freedom since before the depression of the 1930s. Chileans had to learn rapidly a new way of doing business, without the state as a third party to most transactions. And Chileans did respond swiftly to profit incentives. They developed new export industries such as fruit, lumber, and light manufacturing, and unemployment was decreasing until 1981, as the private sector absorbed workers formerly on the state payroll.

If the free-market policies are not changed beyond recognition, the Chilean economy could still come back strong. The question in Chile is not whether those policies strengthen the economy. It is whether a free market can survive the vagaries of dictatorship. ◻

Claudia Rosett is the author of a previous investigative piece in REASON, *"Chile's Economic Revolution," April 1982. She is co-authoring a book with Daniel Gressel on Chile's free-market program, sponsored by the Manhattan Institute for Policy Research.*

In Celebration of Reason



Economist Walter Williams (above left) and Rep. Ron Paul (above right) were the featured speakers at REASON's 15th-anniversary celebration. Educator Robert LeFevre, popular writer Robert Ringer, and Senior Editor Manuel Klausner (below, left to right) were also among the evening's speakers.

"This is a truly eclectic gathering, the likes of which the Beverly Hilton may never see again." So said Senior Editor Manuel Klausner at REASON's 15th-anniversary banquet, held in Beverly Hills on the evening of May 19. Illustrating the diversity of the banqueteers (225 or so in all) were the fete's featured speakers—a Republican congressman from Texas and a black economics professor from Virginia. Rep. Ron Paul spoke on the "desperate" need for new ideas in Washington. And Walter Williams, of George Mason University, challenged the "insidious and bankrupt" policy of income redistribution.

Ever animated and affable, John McCarty (a vice-president at Adolph Coors Co.) masterfully filled the role of master of ceremonies. In addition to speakers Paul and Williams, McCarty introduced a line-up of luminaries who offered their congratulations on REASON's 15th.

Of the evening's many jokes (at times the event seemed more a stand-up comedians' audition than a banquet) the award winner was one that Walter Williams said he first heard in Washington—Question: Why does California have herpes and Massachusetts have Kennedy? Answer: California had first choice.

It was a thoroughly enjoyable evening celebrating a magazine that we thoroughly enjoy bringing out each month.

—E. M.

Photographs by Joyce True

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The Grand Ballroom of the Beverly Hilton Hotel in Beverly Hills was the scene of the celebration, and a group of renowned thinkers offered some reflections on REASON *(counterclockwise, from top right): philosopher and Senior Editor Tibor Machan, philosopher John Hospers, economist Art Laffer, Coors vice-president John McCarty (master of ceremonies), former presidential candidate Ed Clark, and economist William Niskanen. In behalf of* REASON*'s staff, Executive Editor Marty Zupan presented Editor-in-Chief Robert Poole, Jr., with a token of their appreciation—a* REASON *"Man of the Year" cover.*

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VIEWPOINT

Has the Dragon Been Slain?

BY TOM BETHELL

I suggested in this space three months ago ("A $600 Question," May) that we may now be looking at an end to inflation because the Federal Reserve, although disposed to be irresponsible, has responsibility thrust upon it by the financial markets. People operating in those markets are so alert to the hazards of inflation, I suggested, and so ready to take evasive action against it, that the Fed can only reignite inflation if its board members abandon reason. Policymakers are cheerfully immoral but rarely irrational.

In a nutshell: Yes, the Fed is capable of expanding the money supply at an excessive, inflationary rate. If debt monetization is excessive, then inflation psychology will return, the "money supply" will begin to circulate more rapidly, all prices will tend to rise, and—I argue—interest rates will go up. Not down, up.

Borrowers will swiftly demand and receive higher rates to protect themselves against inflation. (If they don't, they will be givers, not lenders, as indeed was the case frequently in the 1970s.) Thus the Fed, by pursuing too-expansive a policy, would succeed only in driving interest rates up, thereby hurting the economy. Conclusion: the new market sophistication exacts good behavior from the Fed. Therefore we may expect a period of monetary stability.

I have received a fair amount of comment on this thesis. Lewis Lehrman, who ran for governor of New York, is not too enthusiastic about it. At the "pre-Williamsburg" monetary conference in Washington put on by Jack Kemp and Robert Mundell, he told me that he thinks it's a mistake to believe that just because lenders *deserve* an inflation premium, the market will give them one. Lehrman is suggesting here that some people will be prepared to lend money at a loss, underselling those who want a profit. I disagree with Lehrman that money losers will be able to set the market price of credit, but readers should be warned: Lewis Lehrman knows a lot more about the bond market than I do.

Lending some support to Lehrman is Alan Reynolds of the economic consulting firm Polyconomics. Reynolds asks in a letter: "Suppose the supply of some relevant measure of money greatly exceeded demand, and the bond and mortgage markets collapsed. Why should we suppose that the Fed would pay attention to this market information when they have not done so for at least a dozen years?" R. W. Bradford of Port Townsend, Washington, concurs, saying that "inflation has never worked as long-term policy, but it does 'work' in the short run, and those in power have limited terms." Prof. A. E. Fekete, visiting research fellow at the American Institute for Economic Research in Great Barrington, Massachusetts, also disagrees with me: "As long as the Fed keeps buying bonds," he writes, "bond prices will go higher and interest rates will go lower."

I am a great admirer of AIER's research reports, but I disagree with Fekete's views (and they are his). So, I believe, does former senior Treasury official Norman Ture, who once told me that the best way to get interest rates down would be for the Fed to sell (*sell*) $10 billion worth of bonds "to show the markets it was serious about fighting inflation." In reply to Fekete: throughout the 1970s the Fed *did* "keep buying bonds"—and interest rates went higher and higher.

I spoke to J. Anthony Boeckh, editor of the *Bank Credit Analyst* in Montreal, and he is in partial agreement with me. At least, he concedes that market constraints on the Fed are now severe. He thinks that we may now be in a period of declining inflation, with each new inflation peak lower than its predecessor. (He says the 1974 inflation peak was higher than in 1979.)

Also on my side is George Gilder, the author of *Wealth and Poverty*, who believes the Fed has lost power. He thinks the present situation is analogous to the failure of the "Phillips curve" (when inflation goes up, unemployment comes down). As long as workers were deceived by "money illusion"—"higher" wages that, however, turned out to buy the same goods (or less, because the workers were in higher tax brackets)—unemployment could be reduced by inflation. But one day the workers learned what was happening to them. They started to demand *real* pay increases, and at that point inflation could no longer "solve" unemployment.

In the same way, as long as the lenders of capital were content to receive a negative return on their money, it made perfect sense for the Fed to erode government debt by stealth, buying it up bit by bit, week after week, with brand-new money created for the purpose. As Bradford says, this did indeed "work," if only in the short run.

And that is my answer to Alan Reynolds. The Federal Reserve did not entirely ignore market signals during the 1970s. It no doubt took grim satisfaction in noting that lenders could frequently be fooled into accepting interest rates that turned out to be lower than the inflation rate. By 1980, however, the game was up. (By this time workers could no longer be fooled by inflated paychecks, either.) Interest rates rose to 20 percent or more, well above the inflation rate. They have stayed that way.

My main point, and Gilder's, is this: It takes people time to learn. But once they have learned, they remember. Markets are rational, but not instantaneously so. People have now learned about inflation, and they will not soon forget the lesson. The "short run" mentioned by Bradford used to be perhaps a couple of years. Now, I think, it is down to a month or two—too short to be of any use to the inflationists.

A final point: one or two who responded may have been offended by my suggestion that we can have stable money without a formal role for gold. In fact, the gold price plays a crucial role in this system of "market control." The Fed must respond to a rapidly rising gold price by tightening money. This puts the country back on a price rule and circumvents the main defect of the quantity rule (monetarism), namely, fluctuating demand for more money.

Shortly after I last wrote, the gold price fell abruptly by $100 an ounce and since then has stayed in a narrow range ($410-$440). So the Fed may already have switched to a price rule, without admitting it.

Tom Bethell is a free-lance writer, a contributing editor of the Washington Monthly, *and a columnist for* National Review.

Treacherous Profitability

BY STEVEN K. BECKNER

Wouldn't it be nice if we could all make our investment decisions without regard for what happens in Washington? To an extent, of course, we can. Once having decided on a general investment posture, selecting specific investment vehicles tends to be less politically sensitive.

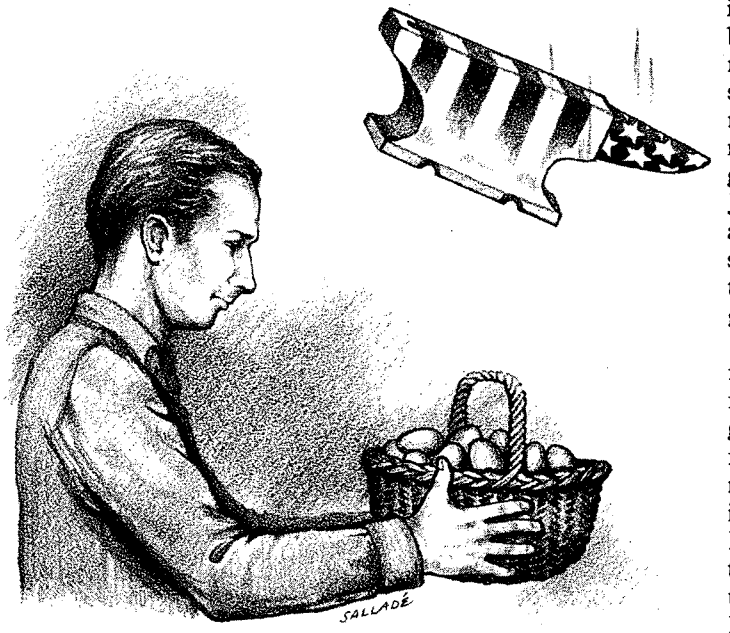
If, for instance, you think that now is the time to be in the stock market, instead of in money market instruments or commodities or real estate, then choosing which companies' shares to buy can be done with relative disregard for broad federal economic policies. Naturally, even individual companies can be sharply affected in different ways by government regulations of various industries, but that is a different matter.

It's the initial investment strategy decision that's tough, though. And at the moment it's becoming increasingly tricky, because the fiscal irresponsibility of Congress makes the medium- and long-term economic outlook very uncertain.

You may be inclined to think that the stock market boom will go on indefinitely. From last August through early May, the Dow Jones Industrial Average rose nearly 60 percent. Then, after reaching a record high of 1232.59 on May 6, the Dow suffered a 60-point fall, only to recover by mid-June, surpassing the previous record. And each week seems to bring fresh evidence of strong economic recovery. But, while it is too early to pronounce the stock market boom over, the increased volatility of the market should give one pause.

Most market observers seem to think that stock prices could rise by another 10 or 20 percent during the course of the recovery. But many of those same people forecast that the recovery will be short-lived, that it will be interrupted sometime in 1984. Few believe that we can continue to have a bull market of the speed and dimensions we've seen since the summer of 1982. At best, further uptrends are apt to be marked by continued interruptions, which make the market more treacherous than before, though not necessarily unprofitable.

The doings on Capitol Hill have given Wall Street ample cause for doubt and should spur all investors to reevaluate their investment stance for the longer term. The Dow's volatility has coincided with signals from a stubborn Congress that it has no intention of controlling its voracious spending appetite or of doing anything—other than raising taxes—to narrow its ever-widening budget deficits.



The fiscal 1984 budget resolution in the works as this was written will likely call for at least $75 billion more taxes over three years, protect entitlement programs, increase military spending by a real 4-6 percent, and call for a deficit of at least $175 billion. Given that the fiscal 1983 deficit had already hit $130 billion with five months to go in the year, that is likely a very conservative projection. Even the Republican-controlled Senate refuses to deliver a sane budget. One can only hope that President Reagan wields his veto power fast and furiously come appropriations time.

The market can be forgiven for interpreting this mindlessness as meaning either that heavy federal borrowing will drive up interest rates, drive out private credit seekers, and stifle the recovery *or* that it will force the Federal Reserve into accommodating monetary expansion. And in fact, the money supply jumped by $11.4 billion in a two-week period in early May, after earlier showing signs of tapering off. Seen as a reaction to this, the Dow's precipitous drop in May is not all that surprising.

It is becoming increasingly difficult to maintain that the rapid monetary expansion of the last three quarters reflects solely definitional changes in monetary statistics and the creation of new banking instruments. The monetary base, a fairly neutral measure of the basic money supply, consisting of currency in circulation plus reserves at member banks, grew nearly 13 percent from January through May. And adjusted reserves, which subtracts currency held by the nonbank public, were growing even faster.

History suggests, and current behavior seems to confirm, that the nation, via the government, will choose inflation over the pain of resisting it. No matter who's in charge, the Federal Reserve cannot long maintain monetary restraint in the face of prolonged and heavy Treasury borrowing and simultaneous pressures to sustain a growing private economy.

That's why the consensus that we are living in a "disinflationary" period will prove to be wrong. Our society, or the aggregation of special-interest groups that makes it up, is unwilling to reduce its demand for government programs and at the same time is unwilling to pay more in taxes to finance its demands.

By the beginning of 1985, at the latest, look for the beginning of another surge in the price of "hard assets." As it is, those old reliables gold and silver have shown surprising strength in the face of greatly reduced inflation and high real interest rates. It's too early, alas, for the nation to return to the gold standard; but for individual investors, the time is coming.

Steven Beckner is a financial reporter and columnist for the Washington Times.

Illustration by Susan Salladé

New Wave Cooking

BY DURK PEARSON AND SANDY SHAW

Man is the only animal that cooks its food. Over 400,000 years ago, our ancestors were using fire for cooking. In the process, humans *created* a new ecological niche. Man can eat vastly more different types of foods than any other animal. Even very primitive tribes in arid environments have a minimum of a few hundred *different* foods to eat. More typically, tribal people might have a few thousand foods, about 100 times the variety available to a typical animal. About 98 percent of the vegetable matter in a lush tropical jungle falls to the ground uneaten, even by insects, because of contained toxins—most of which can be destroyed by cooking.

Cooking food accomplishes five different things.

1. Inedible components in foods become edible after being cooked. An example is potatoes. Raw potatoes cannot be digested by humans because their tough cell walls are composed of cellulose, a polysaccharide straight-chain polymer of glucose (the glucose molecules are linked to each other). When potatoes are cooked, however, the polysaccharide is broken down into monosaccharides and disaccharides, which we can digest. (Undigested polysaccharides can be of value in the diet as fiber but not as a source of energy.)

2. Cooking releases or creates flavor elements in foods. When vegetables are cooked, for example, some of the RNA (ribonucleic acid) they contain is broken down into the nucleotides inosinate and guanylate, which are important flavor elements in vegetables, as well as in meats and dairy products.

3. Cooking denatures (destroys the chemical structure of) both protein toxins and proteins in microbes required for their survival.

That's the good news. The bad news is that cooking can also do the following:

4. It destroys nutrients in the food, either by oxidation, heat, or leaching. An example of all three is the loss of vitamins that takes place when vegetables are boiled in water.

5. Cooking can create carcinogens (cancer-causing agents). That delicious-tasting scorched exterior on your charbroiled steak contains potent carcinogens called polynuclear aromatic hydrocarbons, also found in cigarette smoke and smog. In addition to the carcinogens in the food itself, the use of a gas range or oven releases large amounts of carcinogenic nitrogen oxides and other harmful gases (such as carbon monoxide) into the air of your home. In fact, enough nitrogen oxides are released during typical home use of gas ovens to surpass the five-minute maximum exposure limit per day allowed in chemical manufacturing plants by the US Occupational Safety and Health Administration.

Microwave cookery makes it possible to avoid or minimize traditional cooking's "bad news."

Microwave cookery offers a number of advantages in terms of the discussion above: It is fast and convenient. More nutrients are retained because of the fast cooking, relatively low peak temperatures, and lack of leaching. Far fewer carcinogens are created in the food, and carcinogens are not released into the air.

Microwave cookery does have some dangers (nothing is perfectly safe):

1. Some foods, such as poultry, may be inadequately cooked, especially in older microwave ovens that do not mix the microwaves well or when the cook does not rotate the food properly. Salmonella bacteria and parasites such as trichinella (found in pork) are a particular hazard in such undercooked foods. This danger applies to any method of cooking.

2. A person might be injured by thermal (heat) effects of microwaves leaking out of a badly damaged microwave oven and cooking part of you instead of the food. In microwave ovens manufactured during the past 10 years, this is not a problem. A gas or electric oven is far more dangerous in this respect. In fact, microwave ovens offer by far the safest means of cooking for persons with mental or physical impairment. For example, microwave ovens cannot burn your house down. With the exception of browning-dishes, the food is the hottest part of the oven.

Many people confuse microwave radiation with nuclear radiation (such as gamma rays or x-rays). Sunlight (solar radiation) is closer to x-rays in its properties than it is to microwave radiation. Radiation comes in discrete chunks called quanta. Energy per quanta of x-rays is very high and can break any chemical bond and can alter any molecule. This is why high-energy radiation can damage our DNA and cause cancer. Quanta of sunlight contain less energy and can break some chemical bonds but not others. (It can damage DNA in skin, for example, producing skin cancer.) Microwaves, however, contain very low energy and can break *no* chemical bonds. All the chemical changes produced by microwaves are due to heating.

Microwave radiation is very similar to the infrared heat radiation given off by a heat lamp or a hot-steam radiator and is about as hazardous as these infrared radiations. It is much easier, however, to accidentally burn yourself by contact with a hot, exposed steam radiator or heat lamp than with a cool microwave oven door, which, in all such units made within the past 10 years, is equipped with several built-in safety devices to automatically shut off the oven when the door is opened.

Cooking was a giant step forward in the evolutionary history of man. Done with proper care, microwave cookery makes it possible to avoid or minimize traditional cooking's "bad news."

We invite questions of general interest from our readers. Send your query along to REASON Health & Welfare, Box 40105, Santa Barbara, CA 93103. (A limited number of reader questions can be answered in print; personal replies cannot be made.)

Durk Pearson and Sandy Shaw are consulting scientists and authors of Life Extension.

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Radical Party Man

BY BILL EVERS

When Guy Verhofstadt became president in January 1982 of the Flemish liberal party in Belgium, he was at age 28 the youngest person ever to head a political party there. The Partij voor Vrijheid en Vooruitgang (Party for Liberty and Progress), is the Flemish, or Dutch-speaking, classical-liberal party in Belgium and works in tandem with a similar Walloon, or French-speaking, party. In 1961, the Liberal Party, founded in 1846, took this new name to symbolize a shift from historic opposition to the Catholic Church to a new stance in favor of religious toleration—or, as Verhofstadt puts it, "a change from anti-clericalism to pluralism."

Today the two liberal parties each poll 21 percent of the vote in their respective linguistic groups, and under Belgium's system of proportional representation, they now have 52 out of the 212 seats in the national parliament. For the last year and a half, the liberals together with the Christian Social Party have constituted the governing coalition.

A lawyer and a former Ghent city councilman, Verhofstadt served as secretary to former PVV President Willy de Clerq from 1977 to 1981 and was president of the party's youth organization from 1979 to 1982. It is really as a youth leader and a radical liberal that he first made his mark in Belgian politics. He and other young liberals who came to prominence at the Flemish party's 1979 congress are seen as the generation of '79 that has brought radical liberalism to the forefront of the Belgian liberal movement. By "radical liberalism," Verhofstadt points out, he and his colleagues mean what in America is called libertarianism. And he says that European liberals who know of the American libertarian movement regard it as "very radical."

The most significant change wrought by the new generation of liberals at the 1979 party congress was a shift from support for public schools to advocacy of putting education in private hands. The whole history of the Belgian liberal movement had been one of opposition to the church and support of government-financed, exclusively secular schools.

Margot Lyon in her 1971 history of Belgium describes the bitterness of the cultural conflict in which the Liberals were a major participant during the 19th century: " 'From papal vermin deliver our country' became a favorite Liberal song picked up by the Brussels crowds; while popular Catholic papers described liberalism as "invective, lies, insults, spit, slaver, and mud.' In every commune [municipality] there were rival Liberal and Catholic butchers, grocers,

GUY VERHOFSTADT

and every other kind of enterprise, as well as a spoils system for municipal employees. Liberals wore cornflowers in their buttonholes and attacked religious processions with their walking sticks, while Catholics wore poppies and desecrated Liberal funerals."

The Liberal Party's 19th-century ascendancy (1847-1870) culminated in "the school war" of the 1870s and '80s, when the Liberals attempted unsuccessfully to impose tax-funded secular education on the country. Their defeat in this school war led to the creation of Belgium's rather extensive welfare state by the Catholic Party and kept the Liberals out of national office until after the start of World War I. Although liberal anti-clericalism had somewhat abated by the 1960s, it is only against this background that the momentousness of the change in the liberal program by Verhofstadt and other young liberals in 1979 can be recognized.

Verhofstadt says the Flemish liberal party has a "social-economic focus," one of "opposing collectivism" and supporting the free market and individual liberty. He is enthusiastic about the prospects for radicalizing old liberal parties in other countries and believes this is the strategy most likely to achieve lasting libertarian results.

The PVV favors a zone free of nuclear weapons in Europe and calls for achieving this through multilateral, comprehensive negotiations dealing with conventional forces as well as tactical and strategic nuclear arms.

The PVV—together with a Brussels-based pro-market think tank, the European Institute—is largely responsible for the recent passage of a new law creating seven enterprise zones in Belgium. For at least 10 years within these zones, which are to be in economically depressed areas, various taxes will be abolished for companies and labor and price-control laws suspended. Verhofstadt mobilized broad support for enterprise zones by making them the theme of his highly publicized 1982 May Day speech as leader of the Flemish liberal party.

The PVV is also calling for the replacement of Belgium's existing governmental social insurance program with a negative income tax. Verhofstadt concedes that this reform is not "radical liberal"—but, he points out, the Flemish liberals are probably the only party in the world with a national parliamentary representative (Fernand Colla) who is calling for *selling the freeways.*

Verhofstadt's political experience and achievements show that the old classical-liberal tradition of upholding private property, the free market, and human liberty and of opposing conscription, public education, and socialism is not dead on the continent of Europe. And the strategic and tactical experience of someone like Verhofstadt in holding office and coping with large religious communities may well provide important insights for American lovers of liberty.

Guest columnist Bill Evers was the founding editor-in-chief of Inquiry *magazine. He is a graduate student in political science at Stanford University.*

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arts & letters

MOVIES

Reviewed by John Hospers

Querelle

Pretentious, ambiguous, and symbol-laden like the rest of his films is Fassbinder's last work, *Querelle.* Filmed in English, dubbed into German, it is now visible on American screens in German with English subtitles.

The story concerns a naval enlistee (Brad Davis of *Midnight Express*) whose secret desire for his brother's love becomes so all-consuming as to exclude emotionally his brother's mistress (Jeanne Moreau), who recognizes at last that she is an outsider to where the real love is. So far, the story is unusual and plausible, but it is overlaid with an affair between Davis and another navy man whom he then reports to the police for a murder in order to "sanctify his crimes." This particular plot twist is hardly believable unless the informant is consumed with guilt and turns the other man in to prove that "he's not one of them," something of which the film fails to convince us. Nor is "redemption through humiliation" a theme likely to titillate American audiences. There is so much in the plot that is never cleared up that its final impact is diffuse and less than satisfying.

The trouble is not so much with Fassbinder as with Jean Genêt, whose work Fassbinder tries to follow too slavishly. Genêt's strange combination of sex, guilt, and masochism is not likely to be shared or even understood by most audiences, and his purple prose uttered by the off-screen narrator does nothing either for the viewer's comprehension or for the cinematic qualities of the film. It would have been preferable if the director had set forth on his own rather than tie his story to a literary piece so full of murky plot twists and far-out motivations that, to audiences accustomed to intelligible characters, the whole thing will reek of deliberate mystery mongering.

Blue Thunder

Blue Thunder is one of the most visually exciting films in years. Most of the shots are of helicopters (presumably taken from other helicopters) flying above Los Angeles by day and by night: some are frightening, others beautiful, all of them fast-moving and suffused with kinetic energy.

The film also raises certain moral issues, although these are not pursued. The police are there to protect the citizens against criminals. But the futuristic technology exhibited in the film—computer printouts of everyone's history available right there in the helicopter, devices for hearing conversations miles away and for seeing close-up (from a great distance) the perpetration of criminal acts, missiles that spot targets through heat (it is announced at the beginning of the film that all these are already in use in the armed forces)—all this is scary; while it facilitates the instant apprehension of criminals, it can also be used to violate privacy in many ways and even to get rid of those whom the police may consider "undesirable." In the film, the good cop (Roy Scheider) is pitted against the machinations of the bad cop (Malcolm MacDowell) in an attempt to foil a plan to use aggressively the very technology that was supposed to be used defensively. The implicit moral of the tale is: there is no weapon of defense that cannot also be used for aggression.

Exciting as it is, it's really an old-fashioned cops-and-robbers film. From the moment a helicopter with the new equipment is discovered taping the ongoing conspiracy being hatched, we know that it is to be a battle of good against evil. That evil does not win is not the result of any antecedent probability but of the plot gimmickry by which the hero ends up with the best luck and the best equipment.

Parsifal

Five hours is a long time to sit still in one's seat. But five hours is the length of Wagner's final opera, *Parsifal*, and German filmmaker Hans Syberberg's decision to provide an uncut version of the opera, rather than play God with Wagner's score, is wholly admirable. Most opera lovers do not reside in large cities where opera is performed, and even those who do could wait for years without being able to witness a single production of *Parsifal.* Now they can see an excellent performance of it on film, with translations on the screen.

This is much more than a filmed version of an opera: Syberberg uses visual devices that would be virtually impossible on the stage. Some of these—such as the watch tower of a concentration camp and Parsifal viewed against a ridge that is actually Wagner's face in profile—have more to do with Syberberg's personal associations with the opera than with Wagner's work. The viewer will either find these enhancing his experience, enriching the stream of associations, or find them irrelevant intrusions into the story. In any case, it is the music that is supreme.

Many listeners who enjoy Wagner's more-extroverted and melodic operas, such as *Tannhäuser, Lohengrin,* and *Meistersinger*, are bored by *Parsifal.* At first hearing, much of it does seem dull or unintelligible, and one waits for the familiar themes heard in selections from the opera, such as the "Prelude" and "Good Friday Spell." But to ignore the rest is, I think, a mistake. In the case of *Parsifal*, the threads of melodic connection do reveal themselves to repeated listenings. It is the most intricately textured of Wagner's works (including his equally long, penultimate opera, *Götterdämmerung*). A single exposure to it does not yield up its treasures, but repeated listening more than justifies the initial effort. Those who come to *Parsifal* for non-musical reasons, such as readers of last year's provocative book *Holy Blood, Holy Grail* and those fascinated by Knights Templar and the history of secret societies, will unfortunately not grasp the intricate *musical* structure on which the aesthetic effect of the opera largely depends.

This is not a film for everyone. Those who are not tuned in to classical music will simply be bored by it. Those who like classical music but have never had an opportunity to hear *full* operas of Wagner may find a single exposure to it insufficient (as explained above). Moreover, the film, by bringing everything close up, does not always improve the operatic experience. The great communion scene of the Knights of the Holy Grail is more awe-inspiring in the opera house than on the screen: it must be seen as it was intended to be seen, as live theater in the hushed silence of a darkened auditorium. The intimacy of close-ups often destroys the magic. Still, there is plenty of magic to go round in this film.

John Hospers is the author of Understanding the Arts. *He teaches philosophy at the University of Southern California.*

THEATER

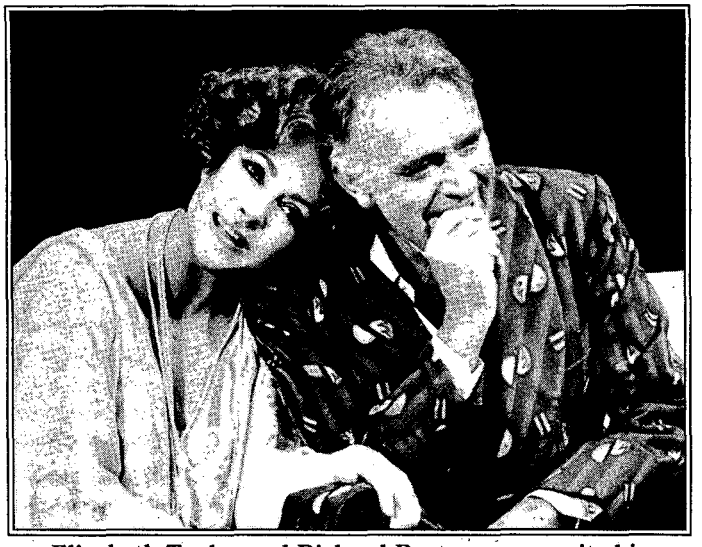
The Liz & Dick Show

By David Brudnoy

If you would trudge miles through the mud, were you invited to trudge miles through the mud, to ride horses along with Ronald Reagan and Queen Elizabeth (never mind that you don't ride horses very well and the humans can hardly have said anything terribly interesting to each other), then you are among that probably large (I'd wager ninety-nine-plus-something) percent of the theater-going population that might in time trudge through the elements, blizzard or sultry heat-wave or whatever, and pay an inordinate ticket price, in order to see another interesting couple do a not too interesting thing to an interesting experience.

Elizabeth Taylor and Richard Burton, twice married and twice divorced to and from each other, endlessly chronicled for their marriages and their divorces as well as for their acting on-stage and off, have rather awkwardly been squeezed into Noel Coward's frothy bonbon, *Private Lives.* Its opening in Boston was accompanied by klieg lights—*Evita* didn't get klieg lights; hell, in Boston *nobody* gets klieg lights—more Cadillac stretch limousines than usually accompany the highest and mightiest of Boston society, and more than enough advance publicity. From Boston, *Private Lives* journeyed, no doubt in very private airplanes and transport trucks, to New York, there to triumph with the masses irrespective of what impression it makes on the critics—the discerning critics in Boston cordially detested it, while gentler souls amongst our fraternity tried to find something nice to say about the Liz and Dick show. Finally, *Private Lives* will journey to selected outposts of theatrical consciousness, at which time you may, if you must, trudge through whatever obstacles confront you, and see the thing. And good luck to you.

What will you get for your money and your time? One of the most sublimely inspired of Mr. Coward's creations, one written expressly for himself and Gertrude Lawrence in 1930. She sent him on his merry way upon the waves on the *Tenyo Maru,* en route to Japan, bidding him construct something for the two of them; and as he lay sleepless in Tokyo, at the Imperial Hotel (where else?), the thing materialized before him and in four days practically wrote itself. So Mr. Coward told us in *Present Indicative,* his 1937 autobiography. Equally a star vehicle for the male and female lead, and costarring Laurence Olivier and Adrianne Allen, *Private Lives* instantly became a smash on both sides of the Atlantic, was thrice revived—first in 1948 with Tallulah Bankhead and Donald Cook, again in 1969 with Tammy Grimes and Brian Bedford, and now as the Liz and Dick show—and is forever on stage in amateur productions.



Elizabeth Taylor and Richard Burton are reunited in a revival of Noel Coward's PRIVATE LIVES.

The story is simplicity itself, a suitable edifice to have been assembled in a mad dash at the Imperial Hotel in four nights. Amanda and Elyot, once married to each other, are on their honeymoons five years later with new spouses, in adjacent suites at a posh resort hotel on the Riviera, of course unbeknownst to each other. When they meet, each tries to convince the new mates to leave instantly; her new husband and his new wife consider their new spouses mad. This leaves Amanda and Elyot alone on the terrace, where love is rekindled, and they flee to Amanda's flat in Paris. Shortly the rekindled fires become conflagrations, the old habits of bicker and bedlam reassert themselves, and we have a riproaring fight climaxing the second act.

In act three, the jilted husband of Amanda and wife of Elyot, Sybil and Victor, arrive in Paris. A delicious bit of bitchiness masquerading as total decorum enlivens a foursome for breakfast, and the play gaily hops along to its amusing conclusion.

The Liz and Dick show has, as it were, the music but not the tempo. What is meant as froth becomes minestrone as Miss Taylor, ample as her reputation and hideously squeezed into a Theoni V. Aldredge wardrobe that features unbecomingly low-cut trifles and unbearably elaborate sequined horrors, and Mr. Burton, who is meant to bear swords and give the Bard his due, saunter through scenes that should be tiptoed through, as in daisies. The stars are very talented indeed, and in the right vehicles they are wonderful; and the costars, John Cullum and Kathryn Walker, are both splendid in their parts. But the whimsy congeals nevertheless, because the rapid-fire delivery best suited to Noel Coward becomes in the Liz and Dick show an exercise in declaiming and screeching. Miss Taylor, to borrow a perfect phrase of Kevin Kelly's, for some reason lapses into a bit of Bette Davisizing, as in "I'm! in! such! a! rage!" The play moves at three-quarter speed, and the sparkle is thereby dimmed. When in the second act Amanda and Elyot do their imitation of the Ali-Spinks title bout and go for what seems like 14 rounds, easy, the hideous image comes racing to mind: here is an ancient hunter, languidly bouncing after a century-old elephant; he will get her in due course, and he's giving her a head start, but it won't be very exciting, just loud.

There are moments. She says, "Marriage scares me, really." The audience howls—you will howl—and she looks straight ahead for what seems like hours. Richard Burton has a voice to kill for, he looks wonderful, she sends chills up the spine just by appearing, you marvel that she doesn't break the furniture when she sits, and Noel Coward's dialogue, embedded tipsily in a structure of lace, is swell. So save your pennies and go: it's something to tell your grandchildren about.

Contributing Editor David Brudnoy reviews the arts for WNEV-TV (CBS) News and WRKO-AM and is film critic for several Boston-area newspapers. He hosts a nightly talk program on WRKO, writes regularly for the Boston Herald, *and syndicates a newspaper column.*

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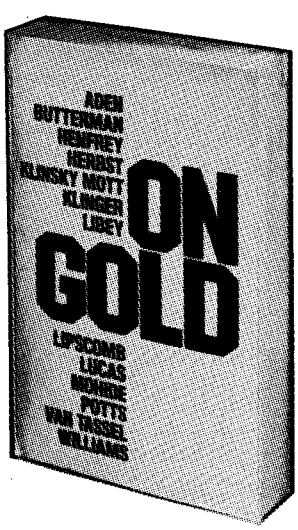

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BOOKS

Does Great Prosperity Take Little Rebellions?

The Rise and Decline of Nations: Economic Growth, Stagflation and Social Rigidities
By Mancur Olson
New Haven and London: Yale University Press. 1982. 273 pp. $14.95

Reviewed by Pierre Lemieux

How could it possibly happen that an auto worker who is willing to work to buy food cannot find a job, while there is a food-plant worker who wants a car in exchange for his production but has just been laid off? How can there be involuntary unemployment? *This* is the puzzling question.

Similarly, how can we explain underdevelopment? For, as economist Mancur Olson writes, "An economy with free markets and no government or cartel intervention...grows rapidly without special effort or encouragement"—witness Korea, Taiwan, Hong Kong, and Singapore, or all Western countries two centuries ago.

A University of Maryland professor, Mancur Olson is the well-known author of another seminal book, *The Logic of Collective Action* (1966), which provided the theoretical basis for his current analysis of the rise and decline of nations. Olson argues that individuals with a common interest will not voluntarily act collectively to further this interest unless each individual has a rational incentive to participate in such collective action. Whether the group action aims to lower taxes or repeal a tariff or set cartel prices, each individual will reason that the impact of his own participation will be negligible, while on the other hand he will automatically share in the benefits obtained by others who would bear the costs of participation.

The logic of collective action leads to more collective organization among small and homogeneous groups—for example, producers—than among large and diverse groups—for example, consumers. In a small coalition, the individuals' participation matters and the benefits are shared among fewer individuals. In addition, a relatively small and homogeneous group can more easily provide its members with private goods (such as group insurance) as incentives.

Since not all groups face comparable incentives to engage in collective action, it follows that "there will be no countries that attain symmetrical organization of all groups with a common interest and thereby attain optimal outcomes through competitive bargaining." This is Olson's first basic theorem. Moreover, it takes time and a stable environment for all the conditions and entrepreneurship necessary for collective action to be organized. Whence the second theorem: "Stable societies with unchanged boundaries tend to accumulate more collusions and organizations for collective action over time."

Mancur Olson

These special-interest organizations are really *distributional* coalitions, contends Olson. Their incentives are such that they are "overwhelmingly oriented to struggles over the distribution of income and wealth rather than to the production of additional output." The reason is that the social cost of their actions is diffuse over the whole society, while benefits are concentrated among members.

Two hundred thousand textile producers and workers in, say, a nation of 20 million (roughly the Canadian case) will collectively pay only 1 percent of the social cost of protectionist measures, while they will get all the benefits. It will therefore be in their interest to further protectionism *even if its social cost is as much as 100 times larger than its social benefits.*

Distributional coalitions achieve their purpose by obtaining legal and regulatory privileges from government, cartelizing wages and prices, and restricting competition. They thus increase the role of government, reduce the mobility of factors of production, slow down society's adaptation to change, and create rigidities in wages and prices. The third Olson theorem follows: distributional coalitions reduce efficiency, economic growth, and aggregate income, and they exacerbate economic contractions.

Consider the central problem of wage fixing by trade unions and, especially, the enforced wage fixing they obtain from government through minimum-wage laws. Like apprenticeship rules, minimum-wage rates are a device used by laborers' coalitions to keep out competition from the unemployed or underemployed. In this way, for example, white trade unions have successfully excluded competing black labor from supervisory jobs in South Africa.

As John Maynard Keynes saw, unemployment in a recession is basically caused by sticky wages that prevent the unemployed from bidding down wages. Instead of prices, quantities must adjust: real income drops, and employment takes the slack. But what Keynesians do not understand is that the more effective distributional coalitions are, the more severe the business cycle. Moreover, if inflation has become expected and has been built in through coalition-controlled wages and prices, these may continue to rise until employment has fallen even more, resulting in the modern phenomenon of stagflation.

Economist Phillip Cagan has shown that the tendency for prices to fall during a recession has declined over time. During the great US recession of the 19th century, in 1839-43, prices dropped 42 percent, compared to only 33 percent in 1929-33. The Great Depression of the 20th century, further exacerbated by protectionism and government price fixing, was the first business contraction to generate widespread unemployment. In 1839-43, real consumption actually increased by 16 percent, while it dropped by 19 percent in 1929-33.

Because of increasing rigidities caused by sprawling distributional coalitions, "as time goes on, a stable society suffers more unemployment and a greater loss of output for any given reduction in ag-

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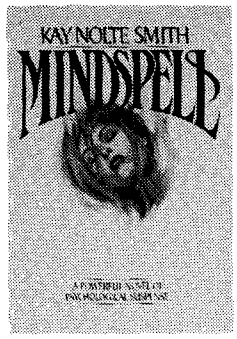

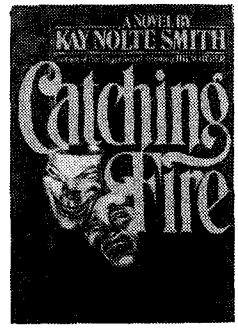

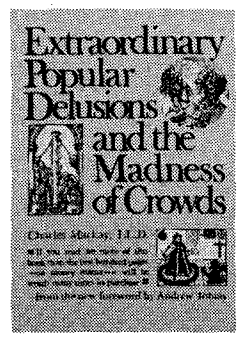

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gregate demand." Nations, then, rise and decline with the absence or growth of distributional coalitions. The guild system had to be abolished for the commercial and then the industrial revolution to take place. Countries like France or Germany whose distributional coalitions were broken by revolutions or foreign occupations have grown more rapidly than stable and coalition-riddled countries like Britain, Australia, and, to a lesser extent, contemporary America.

A first policy implication drawn by Olson is that "there should be freer trade and fewer impediments to the free movement of factors of production and of firms," for "the tariff is the mother of all manner of combinations and collusions." A second major policy implication is, as we now suspect, that "the best macroeconomic policy is a good microeconomic policy. There is no substitute for a more open and competitive environment."

Olson's theory is illuminating and there is no doubt that *The Rise and Decline of Nations* will exert much influence on ideas and politics for many decades to come. Already, it is receiving wide attention among economists and policymakers.

Yet Olson's theory has some problems. Its concept of distributional coalitions, which seems to include all kinds of associations, is too encompassing. Actually, not all associations nor special-interest organizations are "distributional" coalitions. Some aim at protecting individual rights, not at redistributing income. Others, like charitable organizations, do redistribute income, but in a purely voluntary manner. Olson's theory and its implications for economic growth apply only to *coerced* redistribution of *economic advantages.*

If this is true, Olson is wrong when he writes that "there can also be cartelistic action without government connivance" and when he prescribes that government should break free-market cartels just as it must repeal coercive privileges granted to trade unions. The economic efficiency of free-market cartels or restrictive trade practices is demonstrated by their voluntary clientele. In contrast to trade unions, they are not distributional coalitions, because they do not require the state's coercive powers to redistribute economic advantages.

With this modification, Olson's theory can be fully reconciled with one of Nobel Laureate Friedrich Hayek's fundamental insights. Distributional coalitions and economic decline (as well as political tyranny) are a *normal outcome* of political institutions that *have no built-in constraints* against government's power to grant privileges to particular groups.

How can we break up our tight network of government-enforced distributional coalitions? Olson confides that the best formula for economic growth is past instability combined with expected stability in the future. Here, we part company with Hayek, but perhaps this is just where we should. Somewhat reluctantly, Olson quotes Thomas Jefferson's famous aphorism: "I hold it that a little rebellion now and then is a good thing."

Pierre Lemieux is an economic adviser to the Quebec Chamber of Commerce. His book on contemporary liberal and libertarian theory was just published by the University Press of France.

Would Vouchers Destroy Educational Freedom?

High School Achievement: Public, Catholic and Private Schools Compared
By James S. Coleman, Thomas Hoffer, and Sally Kilgore
New York: Basic Books. 1982.
289 pp. $20.75

Reviewed by Samuel L. Blumenfeld

James S. Coleman, the well-known social scientist at the University of Chicago's National Opinion Research Center, has been the center of controversy since 1966 when the first Coleman Report, *Equality of Educational Opportunity*, was issued. That report led to the disastrous national policy of forced busing in an attempt to achieve racial balance in the public schools. A new report, *Public and Private Schools*, now released in book form as *High School Achievement*, may lead to an even greater disaster: the destruction of private education as we now know it.

Not that Coleman is in favor of the results that have been or may be the consequences of implementing his findings. In the case of the first report, Coleman and his colleagues found that per-pupil school expenditures, compensatory education programs, or bigger libraries showed less relation to a student's achievement than did peer environment. It was found that blacks got better test scores in schools where the higher proportion of students were white.

This oversimplified peer-effect idea became the justification for forced busing. The 1967 *Report of the U.S. Commission on Civil Rights* cited the Coleman Report as its primary source in deprecating the role of compensatory education for "disadvantaged" children and advocating in its place a national "racial-balancing law" for the schools.

It is quite possible that Coleman's report would not have had the devastating impact it had on American public schools if the Civil Rights Commission had not been waiting in the wings to use it. But, after all, the study had been done under a grant from the US Office of Education. It was supposed to help the policy planners formulate policy. And that is what it did.

Similar dangers lurk in the background of the present report, which has already been widely debated and discussed among social scientists and educators since its initial release in April 1981. Coleman and his colleagues studied public schools, Catholic schools, and other private schools and found, much to no one's amazement, that private schools do a better job of teaching students than do public schools.

The report presented some other interesting findings: that 26.1 percent of the secondary schools in the United States are private and that only 9.1 percent of the students in grades 9 through 12 attend private schools; that 29.5 percent of the private schools are Catholic, but that 66.5 percent of all private school students attend them.

On the matter of enrollment by race, 12.2 percent of the students in public high schools are black; 5.5 percent are black in Catholic schools; and 4.1 percent are black in other private schools. Thus, in proportion to whites, there are half as many blacks in private schools as in public schools. But the real surprise is in distribution. Over half of the black students in the private sector attend schools that are less than 20 percent black, but only a fifth of the public schools' black students attend such schools. About 45 percent of the black students in the public sector attend predominantly black schools, compared to 17 percent in the private sector. Thus, there is actually a higher degree of true racial integration in the private sector than in the public.

Also, contrary to common belief, the degree of economic segregation is *lower* in the private sector as a whole than in the public. Well-to-do white children attend suburban public high schools with few blacks, whereas black children in

private schools are more likely than their counterparts in public schools to have white classmates from higher-income families.

In other words, the exclusive prep school for the rich is not your typical private school. In fact, 80 percent of private-sector students are in schools affiliated with some religious denomination, indicating that religion rather than social class is the common denominator. As for income level, most of the students in the private sector come from families with economic backgrounds not greatly different from those served by the public schools.

Thus, myths about private schools being socially divisive or racially segregated are shattered by this report. In fact, Coleman has made the private schools look so good that they may become the irresistible envy of those who would like to destroy them.

Already, state departments of education, through prodding from the National Education Association (NEA) and other advocates of a government monopoly on education, are writing new regulations for private schools in order to force them to use state-certified teachers and approved curricula. What will happen if a voucher plan is adopted?

The fact that minorities perform academically better in private schools, enjoy greater integration, and have classmates with a wider range of social backgrounds suggests to some social engineers that the best way to achieve the national goal of equal educational opportunity for minorities is through a voucher plan. By funneling government money through parents who can send their children to the school of their choice, a voucher plan, it is thought, will enable more minority students to attend private schools.

But the only way to get the NEA, the teachers' unions, and the educational bureaucrats to go along with a voucher plan is to assure them that their present power will in no way be jeopardized. Indeed, if it can be shown to them that their influence and power will *increase* through a voucher plan, that they will once more be able to control all of those kids who have escaped them into private schools, the educationists might even enthusiastically endorse it.

And that is the chief danger that Coleman's report creates for private education. No one doubts that regulations will accompany a voucher plan. The question is, How much regulation will there be, and what will it do to educational freedom?

One astute critic, considering the consequences of regulation, wrote in the *Harvard Educational Review*, "In time, private schools may come to resemble public ones and thus lose their distinctive characteristics." He also pointed out that many private schools "will have to choose between the advantages of additional financial resources and the disadvantages of government entanglement."

So advocates of vouchers or tuition tax credits must ask themselves if, as stated by another critic, "it is possible to design a system of public support for private education that retains the American commitment to equality of opportunity," satisfies the NEA, the American Federation of Teachers, and the bureaucrats, "and at the same time allows private schools the flexibility to function effectively." Or, to put the question another way, can statist and bureaucratic social goals and policies be made compatible with the values and exercise of educational freedom? The answer from this reviewer is unequivocally no.

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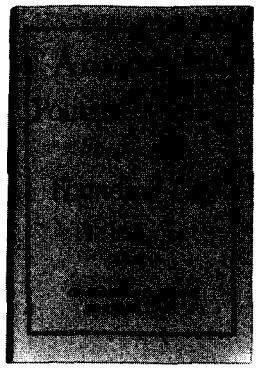

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horse in American society. It is a weapon that statists have built, piece by piece, in our midst, benign-looking on the outside, but deadly within. It is difficult to imagine a more dangerous threat to freedom in our society. Any measures that threaten to weaken or eradicate the remaining tenuous freedom and autonomy of private schools should be resisted at all costs.

It may be argued that private schools that do not accept public support will remain free. But we already know that many Christian fundamentalist schools that want nothing from the government are under attack from the bureaucrats and regulators. Some church schools have actually been closed and their administrators put in jail for refusing to bow down to state regulation. If this is what is done to *church* schools that accept no public support, what chance will freedom have in those schools that willingly accept the shackles of regulation? And when we speak of freedom we must include religious freedom, for 80 percent of all private school students attend schools connected with a religious denomination.

Of course, Coleman and his coauthors do not see the problem in these terms. They merely want to see parents provided with a "greater range of choices of institutional settings" for their adolescents. If that's all that's really needed or wanted, must we destroy private education in the process?

Samuel Blumenfeld is the author of Is Public Education Necessary? *and other books.*

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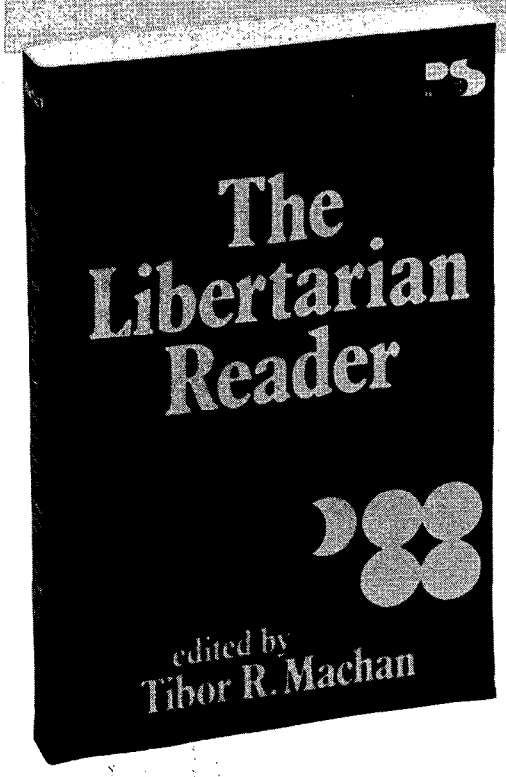

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On the Nuclear Front

The War Against the Atom
By Samuel McCracken
New York: Basic Books. 1982.
206 pp. $18.95

Reviewed by Jack Kirwan

Many "antinuke" books—from the relatively small number of well-reasoned texts to the larger number of hysterical Luddite screeds—have one common denominator. The authors are not terribly bullish on the human race. Scratch your average antitechnologist deeply enough, and you will find beneath all the rhetoric and "concern" someone who thinks humanity is a pretty rotten species.

To such people, human "progress" has meant little more than ruining and despoiling a virgin planet. And nuclear power—conceived by science, born in war, hatched by the military-industrial complex, spewing out befoulment—is a perfect symbol of such perfidy. No three-act melodrama ever had a more hissable villain.

Over the years, there have been far more books published against nuclear power than for it. There is more than one reason for this imbalance, but the bottom line is probably simple. Under our veneer of science and logic and technology, there is a lot of irrationality and mumbo-jumbo out there.

Which is not to say all the angels are on the pronuclear side either. Too many, forgetting Bacon's wise dictum that "nature to be commanded must be obeyed," neglected legitimate environmental concerns. Also, from the beginning, few questioned the wisdom of letting Big Daddy in Washington run the nuclear show. And finally, with a few honorable exceptions, advocates of nuclear power have done a poor job of convincing the public of its relative safety.

Because of this, *The War Against the Atom* is not only long overdue but par-

ticularly welcome. It is extremely clear and well written, so that even the most nontech reader can understand the basics of what nuclear power really *is*. Samuel McCracken has the happy knack of making telling points that stay with the reader. For example, he mentions that "because granite is rather radioactive one gets more than 5 mrem [millirems] a year from working in or at the boundary of a granite building." And then he adds, "Connoisseurs of irony in energy will appreciate that the granite for Grand Central [Station] was quarried near New London, Connecticut, at Millstone Point, now the site of two operating reactors with a third under construction. The removal of the granite from Millstone Point probably reduced the exposure there by a greater amount than the reactors have increased it."

What makes the book worth reading, however, is not just the good writing and clever anecdotes but the fact that McCracken doesn't just answer the easy questions. In chapter two, "The Case Against the Atom: Charges and Rebuttals" (to my mind, the best part of the book), he takes on the big objections to nuclear power—accidents, waste disposal, and decommissioning of reactors. It would be counterproductive to try to compress McCracken's arguments; they are serious concerns and deserve the careful and lengthy treatment McCracken gives them.

In presenting his case for the atom, McCracken also devotes a couple of chapters to the leading alternatives—fossil fuels and good old Mr. Sun. If you think that coal and oil are safe, reliable alternatives to nuclear power, McCracken may have some unpleasant surprises for you.

But isn't that kicking a dead horsepower? Everybody knows (or should know) about the greenhouse effect and health hazards and limited resources and all that. But what about solar—good old clean, benign, *organic*, natural solar? Isn't solar the free lunch that doesn't dirty any dishes?

Alas, no. McCracken cites some tight but gloomy statistics to show that solar is not the ultimate panacea. For example: "Currently, a [photovoltaic] cell capable of generating a peak watt of electricity costs in the neighborhood of $6.00. That is, to provide enough electricity to operate an average color television set at high noon requires $600 merely for the cells. The mounting is extra. So are additional cells to produce peak output under less than peak conditions and storage devices to allow the operation of the set at night."

Actually, McCracken underplays the value of solar somewhat. Although partisans on both sides often seem to think so, solar and nuclear don't have to be opposites. They are handy symbols of philosophical attitudes, but to make them mutually exclusive alternatives is to descend to bumperstickerism. And, since he is otherwise rather thorough, McCracken should have mentioned the very real prospects for satellite solar-power stations.

The rest of the book mostly deals with people—the antinukers and their gurus...Barry Commoner, Helen Caldicott, Ralph Nader, etc. Here, McCracken gets a bit feisty, in the T. H. Huxley–H. L. Mencken tradition; for example: "Dr. Caldicott...is a witch hunter. History has judged Cotton Mather harshly for his role in the Salem witch trials precisely because he was an intelligent and educated man. The same rigor ought to apply to Helen Caldicott."

Probably nothing has damaged nuclear power in the public mind more than the movie *The China Syndrome*. Although playing catch-up with falsehood is always tough and disheartening, McCracken devotes several pages to a devastating analysis of that particular film. He also examines how the media in general handle nuclear issues.

In the last analysis, the war is not just against the atom but against a state of mind—that the earth (and parts of the solar system, too) can and should be altered, when necessary, to enhance the human condition. If we ever find ourselves, as the poet says, "Strangers and afraid in a world I never made," that means it's high time to start remaking it.

Jack Kirwan is assistant editor of the Energy Journal.

Observer of the Century

A Life with the Printed Word
By John Chamberlain
Chicago: Regnery Gateway. 1982.
191 pp. $12.95

Reviewed by Laurence W. Beilenson

After spending a life at the typewriter, John Chamberlain has not lost his touch. He was born in 1903, "the year in which the Ford Motor Company was first

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He loves horses and whores and believes the state is out to get him!

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incorporated and the Wright brothers flew the first airplane." As reporter, book reviewer, editor, and columnist, he has witnessed and chronicled in his simple, lucid prose the history of political and economic ideas in the United States during the 20th century. This book relives Chamberlain's pleasant journey all the way into the decade of the '80s.

Despite the surrounding tumult and shouting, the trip is pleasant because the author is so unusually kind. Fully aware of the evil in humankind and no Pollyanna, Chamberlain is invariably tolerant in his judgments of his contemporaries, even of those with whom he completely disagrees.

He began as a columnist for the *Yale Daily News*. As soon as he graduated, he landed—without the certificates, degrees, and long résumés now required—a job as reporter for the *New York Times*. It was the golden age; New York had 17 newspapers. Inside, the *World* presented F.P.A. (the byline for the "Conning Tower" column), Lawrence Stallings, Heywood Broun, Frank Sullivan, Alexander Woolcott, Walter Lippmann, and Charles Merz and, on the front page, its star reporters Oliver H. P. Garrett and Dudley Nichols. In contrast, the *Times* was prolix and somewhat dull. But the *World* foundered, while the *Times* proved to be the ultimate survivor.

With his review of Gilbert Chesterton's novel *The Return of Don Quixote*, Chamberlain earned a by-line in the *Sunday Times Book Review*. Since then his reviews have been countless. Starting in the '30s, Irita Van Doren had him do her lead reviews for the *New York Tribune*, including Ernest Hemingway's *For Whom the Bell Tolls* and Ayn Rand's *Atlas Shrugged*. There was a stint on the *Saturday Review* and on many other journals, including his reviews in the *Freeman* to this day. But it was writing a review five times a week for the daily *New York Times* that piled up the volume.

All Chamberlain's jobs as editor, writer, and columnist (including long employment on the Henry Luce publications *Fortune*, *Life*, and *Time*), plus his observation of public figures at close hand, contribute to the reader's rarely equalled opportunity to observe with the author the United States in the 20th century. Still, it is the life of Chamberlain as a book reviewer that makes him a master of 20th-century political and economic ideas, nourished by the best fiction of his century and reinforced by living among the creators of thought.

"Innocence is a better word than apathy to describe" the political attitude of the young during the '20s. "We could be roused on local issues....We had a bias...toward freedom....The class war...was limited to fraternity rushes....The favorite indoor sport was debunking....It was the age of the F. Scott Fitzgerald look, with the flappers more in evidence than the philosophers." This description of the "roaring" '20s, while accurate, omits an essential clue to the decade: the advent of Sigmund Freud with the negation of the sense of personal responsibility.

John Chamberlain

In the '30s, Chamberlain rightly gauged the pervasive influence of communism among the intellectuals. "Eugene Lyons, with special reference to New York City and Hollywood, has called the '30s the 'Red Decade.' " It is probable, he says, that "the Communist Party in America never had more than 75,000 members," but "there must have been ten 'state-of-mind Communists' for every Party card holder." Chamberlain himself became a member of the radical literary left, but never a fellow traveler.

This became evident in the Duranty episode. Walter Duranty, the *Times*'s Moscow correspondent, casually mentioned in the elevator that 3 million people had died in Russia in what amounted to a man-made famine, but Duranty failed to report it. When in a book review, Chamberlain adverted to the fact and was challenged by the *New Masses*, he revealed his source and was denounced by the communists. Even then, however, he was willing to cooperate with the American brethren.

In 1936 he voted for Roosevelt; "no 'liberal' of the mid-'30s could conceivably be Republican." What swung Chamberlain to the right was his experience with the businessmen he wrote about for Luce; they were the protagonists of America's production.

Although he voted for Roosevelt against Wendell Wilkie in 1940, Chamberlain believed the United States should stay out of the war. Pearl Harbor answered that question. By 1944, when he wrote the foreword to the "superlatively good" *The Road to Serfdom* by Friedrich Hayek, Chamberlain had completed his conversion to a conservative libertarian position. From then on, he has been a steady and productive laborer in the vineyard, while dominant thought in the United States has been to the contrary.

"Fundamental change depends on the grassroots for corroboration, but it does not start at the grassroots....Before there could be a Labour Party absorption of a majority of the old-fashioned Liberal Party, there had to be a Fabian Society....If the *Nation* and the *New Republic* had not sold the intellectuals on the virtues of the planned economy in the '20s and early '30s, there would have been no Roosevelt Revolution." With that conviction, Chamberlain has helped to nurture conservative and libertarian journals, among them *National Review* and the *Freeman*, not to mention his discovery and encouragement of new libertarian-conservative writers. He notes that "*Reason* magazine, one of our better libertarian journals, has adapted...defense of voluntarism...to a whole program of 'cutting back city hall.' "

It is a tribute to the author's journalistic training in the art of space that he has been able to cram so much into 191 pages. The mixture of anecdote, narration, and theory easily conveyed makes for delightful reading.

Scattered through the book are numerous fascinating vignettes of the actors on the scene. That of Whittaker Chambers, with whom Chamberlain worked closely on the Luce publications, is perhaps the best, but a strong rival is the appreciation of Will Clayton, "the real formulator of the Marshall Plan, which he regarded as a stop-gap." Clayton was a cotton broker who had disapproved of Franklin D. Roosevelt's NRA price-fixing and AAA cotton-planting restrictions. Clayton, who had built his Anderson, Clayton and Co. cotton factoring firm into a $43

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million giant without asking or giving quarter in a fiercely competitive market, had come to Washington for patriotic reasons just before Pearl Harbor. He had remained after the war to take on the job of Economic Under Secretary of State, hoping to help rid the world of such things as tariffs, quotas, and exchange restrictions.

"The 'social democratic' planned economies of Western Europe,...hung grimly to such things as quotas, exchange controls, subsidized exports and trading by government boards. Despite the obstacles to freeing up world trade, Clayton felt he had the future on his side."

So does Chamberlain. After all, he concludes, "We did not unsettle the Old World merely to reestablish its repressive ways in the New."

Laurence Beilenson, a contemporary of John Chamberlain's, is a lawyer. Some years ago he gave up a successful law practice to devote himself to research and writing. His books include Survival and Peace in the Nuclear Age *and* The Treaty Trap.

Intolerance and Intervention

The Reconstruction of American Political Ideology, 1865–1917.
By Frank Tariello, Jr.
Charlottesville, Va.: University Press of Virginia. 1982. 200 pp. $20.00

Ministers of Reform: The Progressives' Achievement in American Civilization, 1889–1920.
By Robert M. Crunden
New York: Basic Books. 1982. 307 pp. $17.95

Reviewed by Leonard P. Liggio

The Progressive Era is now receiving deserved attention as a major watershed in American history. Murray Rothbard has been researching the period to show the continuity of the concepts and ideas that led to America's Great Depression and New Deal. Similarly, Butler Shaffer has completed his manuscript, *In Restraint of Trade*, which shows the progressive ideas in the business community that anticipated the New Deal philosophy.

Historians Frank Tariello and Robert Crunden have provided important new contributions to understanding the ideas that led up to the Progressive Era. In *The Reconstruction of American Political Ideology*, Tariello describes progressivism as the breaking down of the distinction between society and government. Progressive intellectuals, hostile to the "individualism developed by the theorists of revolutionary republicanism," were "unambiguous in [their] affirmation that society was bound by no inherent limitations in its control over the individual."

Tariello argues that progressive thought gained popularity among intellectuals because individualist intellectuals failed to clarify and expand the arguments for liberty. The individualists believed their arguments so conclusive that they did not seek to develop their case further or to ensure that they would be succeeded by equally effective spokesmen. Many individualists became executives of insurance companies or corporate lawyers, where their impact on political thought was minimal compared to that of progressive intellectuals.

The intellectual core of the individualist philosophy was the natural-rights standard of government action, which establishes a total separation between society and government. Thus, for example, in arguing against "the use of the taxing power to correct inequalities of wealth," Jefferson, notes Tariello, referred to "the first principle of society, 'the guarantee to everyone of a free exercise of industry and the fruits acquired by it.' "

The radical individualist tradition of the Jeffersonian and Jacksonian periods was cut short by the minority Republican seizure of power during the Civil War. By eschewing pure laissez faire in economic affairs, the post-Civil War advocates of the limited state actually abetted the victory of collectivism. Tariello believes that individualism was destroyed more "by intellectual default on the part of its proponents than by actual refutation."

Basically, democratic liberalism was beset by three main defects. First, it never came to grips with the problem of harmonizing the right to property with the existence of tax-supported service activities and restrictions on free trade, however minimal they may have been. This shortcoming opened supporters of free government to the charge that they were inconsistent and could not, therefore, oppose on grounds of principle projects that were patently designed to transfer property by law. [Second]... the "public interest" was used repeat-

edly, but its meaning was never particularized. Gradually, for many liberals, it came to connote a standard superior to individual rights, thereby relegating them to an ancillary status. Lastly, democratic liberalism was not defended on proper, theoretically rigorous grounds. . . . Moreover, for various reasons, a comprehensive ethical code, which was desperately required, was not formulated.

While there was no lack of proponents of collectivism, the major undermining of individualism was achieved by the pragmatic rejection of absolutes by Charles Peirce and William James, opening the way for John Dewey's attack on individualism. And the individualists criticized collectivist empiricism with empiricist criticisms rather than with theoretical arguments.

While Tariello examined the intellectual environment leading up to progressive thought, Robert Crunden has provided a detailed analysis of the intellectual development of key ideamakers in the Progressive Era. Examining 100 progressives and emphasizing the work of 21, Crunden found that they identified with Protestant values associated with Lincoln and the Republican Party rather than with the high-church or liturgical values of laissez faire and the Democratic Party. To fulfill the demands of conscience, they sought moral careers in the new professions of social work, journalism, law, academia, and government bureaucracy. Many had experienced "conversion" in evangelical colleges that later may have "contributed to a little-noticed pattern of nervous breakdowns that reappears in the lives of a number of progressives. . . Charles Evans Hughes and Woodrow Wilson are two notable examples."

New graduate schools conceived according to the German training model formed an important center of progressive nurture. Associated with the graduate schools were faculties trained in German universities, generally by professors of the German "historical school," whose practitioners rejected Anglo-American laissez faire. The American Historical Association (1884) and American Economic Association (1885) were established to foster the new ideas.

The AEA platform declared the state to be "an educational and ethical agency whose positive aid is an indispensable condition of human progress." "Church, state, and science," according to Crunden's description, should be united "in a progressive development of economic conditions" that would lead to "corresponding changes of Policy." Finally, the platform declared the "doctrine of laissez faire is unsafe in politics and unsound in morals."

Although the progressive academics made important contributions in economics, sociology, and literature, their greatest impact on intellectuals and more broadly on the public was through their works in history and political science. Rejecting Europe and the Europeanized East Coast, the progressive historians looked to the frontier and the West as the sources of American institutions and values.

Crunden devotes special attention to social worker Jane Addams, composer Charles Ives, and architect Frank Lloyd Wright. Perhaps more important, however, are his chapters "The Muckrakers and the Pure Food and Drug Act" and "A Presbyterian Foreign Policy." Crunden notes that progressives, and especially Woodrow Wilson, viewed foreigners as immigrants to be assimilated to native (probably Southern) rural values. William Howard Taft had pursued a policy of nonintervention; Wilson reversed that on the grounds that Taft's was an amoral policy while his would be filled with morality. "In World War I, a similar sense of drift led to American intervention based on moral issues that could be sustained in reality. The progressives' lack of understanding or sympathy for the cultures and aspirations of other peoples led to the mishandling of relations with Germany and with all countries at the Versailles Conference."

Crunden concludes: "Often tolerant at home, progressives left a legacy of intolerance abroad; . . . they assumed the virtues of American ideals and political procedures and insisted that nations accept American leadership; they treated all people as possible immigrants rather than as responsible adults holding different views; they intervened, wherever feasible, whenever local peoples strayed too far from American wishes."

The only caution I would add is that Crunden too easily prettifies progressive domestic policies. They were intolerant and interventionist at home, and this led them to intolerance and intervention abroad.

Leonard Liggio is president of the Institute for Humane Studies in Menlo Park, California.

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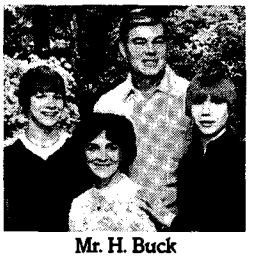

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LETTERS

(Continued from p. 9)

that all non-Randian philosophers are conscious conspirators against the human mind to leap to the other pole and hail them all as fearless champions of the truth, understandably impatient at the slightest error. There is a third and more likely explanation of the lack of greater success of Randian theory among professional philosophers. And that is that the bulk of academics, in whatever discipline, get locked into the ruling paradigm in their field and treat *any* fundamental challenge to that paradigm, regardless of the scholarly trappings, as by definition unscientific and beyond the pale.

Randian philosophy was not only a fundamental challenge to the ruling paradigms in that discipline but an equivalent challenge to the *Zeitgeist* itself. In economics, *The Failure of the New Economics*—Henry Hazlitt's excellent line-by-line refutation of John Maynard Keynes's *General Theory*—was totally ignored by the profession despite his scholarly precision, perhaps partly because of his lack of formal academic credentials. But equally ignored was W. H. Hutt's critical *Keynesianism: Retrospect and Prospect*, despite his academic prose and his being credentialed to the hilt. And any Pollyannaist view of American academia must run athwart the utterly disgraceful fact that Ludwig von Mises, one of the great economists of the 20th century, could not find a paid position at an American university.

Considering these facts, and considering that overthrow of the *Zeitgeist* cannot be the work of a day, it seems to me that the Randian philosophy is doing much better than might have been expected—partly because of the work of scholars like Doug Den Uyl.

Murray N. Rothbard
New York, NY

Mr. Den Uyl replies: I wish to make a couple of points in response to Professor Rothbard's worthy letter.

First of all, I think Rothbard sells Rand a little short when he claims she was simply a prophet. I certainly think of her as more than a prophet, and I believe she claimed a great deal more than that for herself.

More important is Rothbard's concern about academic respectability. He is quite right to remind us of the many small minds that exist in academia, but he fails to distinguish between being respected and being *worthy* of respect. All the thinkers he lists in his letter are worthy of respect even though they may not have received their due from the current crop of academics. My concern about Rand's last book was that much of it, unlike the works Rothbard mentions, is not even worthy of respect (although some of it surely is).

In philosophy, the classic case of paradigm shifters who wrote outside of the current (at that time) university system is the 17th century. People like Descartes and Spinoza managed to do substantive work that deserved attention even though that was often not forthcoming. My hope was that Rand's work would follow a similar path.

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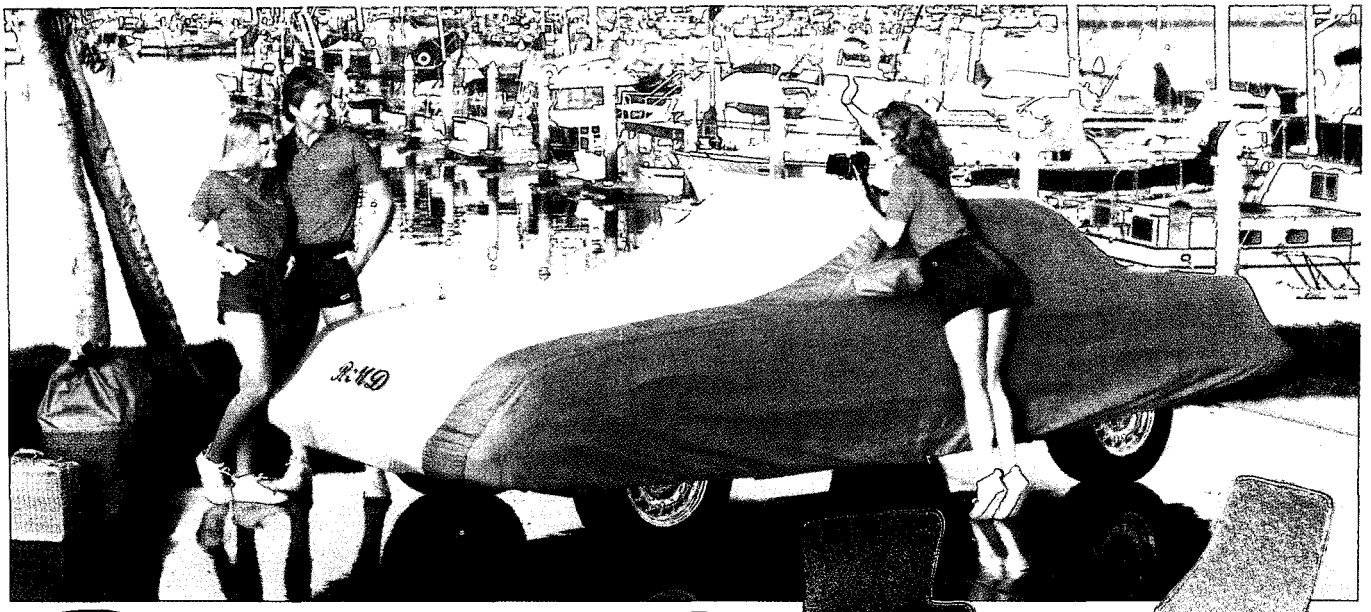

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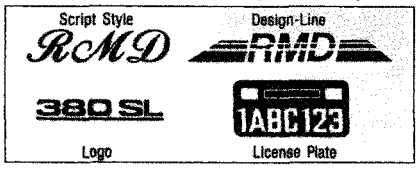

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As more and more of the "polluting detectors" hit the streets, the problem became more serious. If one of the "polluters" is approaching in an oncoming lane, the alarm from your detector is brief. But if it's traveling the same direction as you, your alarm can go on for *miles*. And the offending detector doesn't have to be in the car right next to yours. It can be ahead or behind, and up to a mile away. A very serious problem indeed.

Pollution Clean-Up

The problem required an entirely new approach. Examining the interference from these imports, our engineers discovered a subtle difference between their signals and those of police radar, even though they were on the same frequency. The solution, then, was to design new circuitry that would reject the pollution while—and this was the hard part—maintaining ESCORT's industry-leading response to pulsed and instant-on radar. We named it ST/O/P™ (STatistical Operations Processor), and it consists of a CMOS digital processor with built-in memory. ST/O/P is not simple, and it's not cheap. But it is, in our opinion, the most important breakthrough in radar detection since superheterodyne. Car and Driver would seem to agree: *"Now, all the world's Radio Shack detectors can hum right by your car in full microwave broadcast mode and your Escort will sit on your dash as politely and silently as a canary-fed cat."*

THE RADAR DEFENSE KIT

Peace of Mind

With ST/O/P, we've put the complications necessary to cope with today's radar problems inside—where they work automatically. Just install ESCORT, plug it into your cigar lighter, and turn it on. ESCORT does the rest. If you encounter a signal from a "polluting detector," ESCORT keeps quiet while maintaining its lookout for police radar. If the signal is the real thing, ESCORT immediately alerts you both audibly and visually. And, unlike other detectors that keep you guessing about the radar's location, ESCORT's signal-strength meter moves upscale as you approach and its variable-rate beeper/brapper pulses faster. You get the full story.

It's Simple

If you want the best, there's no reason to look anywhere else. But don't take our word for it. Try ESCORT *at no risk*. Open the box, install ESCORT on your dash or visor, and take 30 days to test it. If you're not absolutely satisfied, we'll refund your purchase *and* pay for the postage costs to return it. You can't lose. ESCORT is sold factory direct, so knowledgeable support and professional service are only a phone call or parcel delivery away. And we back ESCORT with a full one year limited warranty. Order today and let ESCORT change radar for you forever.

Do It Today

It's easy to order an ESCORT, by mail *or* by phone.

By Phone: Call us toll free. A member of our sales staff will be glad to answer any questions and take your order. (Please have your Visa or MasterCard at hand when you call).

CALL TOLL FREE.... 800-543-1608
IN OHIO CALL..... 800-582-2696

By Mail: We'll need to know your name and street address, daytime phone number, and how many ESCORTs you want. Please enclose a check, money order, or the card number and expiration date from your Visa or MasterCard.

VISA MasterCard

ESCORT (Includes Everything)...**$245.00**
Ohio residents add $13.48 sales tax.

Speedy Delivery

If you order with a bank check, money order, credit card, or wire transfer, your order is processed for shipment immediately. Personal or company checks require an additional 18 days.

ESCORT®
RADAR WARNING RECEIVER

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Cincinnati, Ohio 45242